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**Service Classification Frameworks –
Customer Service Channel Approach**

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Abstract

The academic literature indicates substantial amount of attention given to classification frameworks of services. Especially in the 1980's and 1990's there has been put lot of effort to create a universal service classification framework to help the managers in their strategic planning. The current service classification research is mainly based on the product-process matrix by Hayes and Wheelwright (1979), which is still seen as a universal framework to be used in manufacturing industry. The scholars have modified the matrix to better match the service industries, but have not been able to cope with the heterogeneous services. Usually the main problem is the lack of relation between volume and the process structure, which means that the process has to be defined using some other parameters. These parameters have been varying in the literature, but unfortunately none of these has been fully capable to capture the process structure. In some industries the existing service classifications work, but not in all of them. The measurement of the implicit parameters has been one of the biggest problems. Also the frameworks' are intended to be normative. However, the help of the existing frameworks is limited as the advices for the management are only for the process structure or the inaccurate positioning of the companies in the matrix' makes it impossible to utilize the results.

In this paper is tested a new framework to give a new perspective for the service classification research. By Haapanen & Vepsäläinen (2005) has been introduced customer service channel approach, which is to divide the services into four channels – persuasion, financing, dealing and production & delivery. These interactive channels split the service into complete functions that are easier to analyze and manage. The existing service classification frameworks are combined with the approach by Haapanen and Vepsäläinen (2005) in this paper. Meaning the customer service channels are analyzed by using five widely known service classification frameworks. This approach is compared to the traditional one to analyze the framework. The Finnish furniture retailing industry is used to test the framework.

The case industry analysis does indicate superiority of the tested framework compared to the traditional approach. The measurement is easier as the measured components are easier to discern. Moreover the help for strategic planning is better as different functions in the company may be operated differently and therefore need different kind of actions for improvement.

However, the created framework is not the key for the service classification. The existing service classification frameworks have lacking parameters and therefore they need to be improved until universal service classification framework is created. The research points out the future need to create classification for each customer service channel separately to be able to cope with the different competences needed in each channel.

Key words: service classification, customer service channels, furniture retailing, service strategy

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Tiivistelmä

Akateeminen maailma on kiinnittänyt runsaasti huomiota kattavan palvelujen analysointimallin luontiin. Palvelumallien historian voidaan katsoa alkaneen 1970-luvun lopulla jolloin Hayes ja Wheelwright (1979) esittelivät tuotanto-prosessi-matriisin, jota käytetään edelleen valmistusyritysten tuotannon suunnitteluun. Tuotanto-prosessi-matriisista ovat tutkijat muokkaamalla saada kehitettyksi palvelumallia, jota voitaisiin käyttää Hayesin ja Wheelwrightin (1979) mallin tavoin käyttäen universaalisti palvelujen analysointiin ja määrittelyyn yli toimialarajojen. Parametreja vaihtamalla tutkijat ovat yrittäneet muokata mallia palvelualoille, mutta ongelmaksi on muodostunut ennen kaikkea volyymin ja prosessirakenteen yhteyden vaihtelevuus palveluissa. Myös implisiittisten parametrien mittaaminen on osoittautunut ongelmaksi. Kehitettyjen palvelujen ongelma on myös niiden rajoittunut normatiivisuus. Vaikka mallien on tarkoitus auttaa strategisessa suunnittelussa, on niiden kontribuutio heikko, johtuen pelkkiin prosesseiden keskittymisestä tai epätarkasta sijainnin määrittelystä matriisissa.

Tämä tutkimuksen tarkoituksena on tarkastella palvelumalleja valtavirrasta poikkeavalla tavalla. Haapanen ja Vepsäläinen (2005) ovat kehittäneet kanavamallin, joka tarkastelee palveluja kokonaisuuden sijasta neljässä eri kanavassa. Neljä asiakaspalvelukanavaa ovat: suostuttelu, rahoitus, dealing ja tuotanto & toimitus. Nämä neljä kaksisuuntaista kanavaa jakavat palvelut helpommin ymmärrettäviin kokonaisuuksiin, joiden analysointi ja johtaminen on helpompaa. Tässä tutkimuksessa Haapasen ja Vepsäläisen määrittelemiä asiakaspalvelukanavia analysoidaan käyttämällä olemassa olevia tunnettuja palvelumalleja. Saatuja tuloksia verrataan perinteisestä analysointitavasta saatuihin tuloksiin. Casealana käytetään suomalaista huonekalujen vähittäiskauppaa.

Analyysi osoittaa luodun viitekehyksen paremmuutta perinteiseen käyttötapaan verrattuna. Mittaaminen on huomattavasti helpompaa helpommin hahmotettavien kokonaisuuksien vuoksi. Lisäksi normatiivisuus on parempi, kun erilaiset palveluyrityksen funktiot voidaan analysoida erikseen ja niille voidaan mallin avulla muodostaa erilaiset muutosehdotukset.

Valitettavasti luotu malli ei vielä yksin ratkaise palvelujen analysoinnin ongelmaa. Olemassa olevat palvelumallit eivät kykene tarkasti määrittelemään palveluja eri kanavissa. Lisäksi kanavien avulla mallien normatiivisuutta voidaan parantaa. Tutkimuksen mukaan tulevaisuudessa tulee keskittyä löytämään kuhunkin asiakaspalvelukanavaan palvelumallit joiden avulla niitä määritetään ja kehitetään.

Avainsanat: palvelumalli, asiakaspalvelukanavat, huonekalujen vähittäiskauppa, palvelustrategia

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Abstract

Tiivistelmä (abstract in Finnish)

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1 Introduction

The service industry has had an extensive attention in the 1980's and 1990's in form of trying to create a comprehensive framework for service industry classification. The classifications are considered to be important tool for managers to determine the kind of production process that is optimal for the service. However the various authors have run into problems trying to modify the product-process matrix from the late 1970's (Hayes & Wheelwright, 1979) to fit the features of varying services. Haapanen & Vepsäläinen (2005) have created an attempt to consider the service production from whole different point of view. Their focus is not that much on trying to put whole services into boxes, but splitting the service into four customer service channels, namely persuasion, financing, dealing and production & delivery, and trying to see if there is a way to classify them. This way there is not that much need to simplify the heterogeneity of service production.

Furniture retailing discussed in this paper is not the most interesting business in many ways from the academic point of view. In Finland the business has been very stagnant for decades and there have not been much new innovations or new technologies been utilized. Furniture retailing in Finland have had a reputation of being run by sleazy sales men and the focus stereotypically has been on sales instead of serving the customer. The image of the retailing chains has been correspondingly pretty bad. In Finland we have for example Sotka that has shocked Finnish marketing professionals, by running the same tasteless marketing campaign for over 10 years with the same cast. In addition the large retailing chains have mainly been focusing on selling quality for cheap price instead of selling for the customers what they need. Even though these things are, there is virtually no competition from the foreign companies in the Finnish markets excluding IKEA. This may be because there is no demand for different kind of retailer or the markets are too small for international companies to operate on. No international competition on the other hand means less pressure for the Finnish companies to develop their business and competence. For example Finnish banking industry has been world leader on launching new technologies and changing its service strategies. Reason for them has been the banking crisis of the early 1990's. Also travel agencies have been utilizing the possibilities provided by development of networks, so that there is a generation that has been traveling around the world but has never been in a travel agency. Therefore there should be a lot of possible improvements in the business that should be recognized by the service classification frameworks.

Also furnishing has increased its interest among Finnish people. The various TV shows related to home furnishing like *Queer Eye for the Straight Guy* and *Inno* are indication that people are investing to their homes. Even stronger indication of this is the sales in the furniture retailing that has increased for three consecutive years way more rapidly than the GDP (Tilastokeskus, Forma Ry, 2007).

All these things make the Finnish furniture retailing very interesting when doing research on service channels and strategies. As the business has been stagnant for long time and customers do show dissatisfaction it would be likely that the models point out issues requiring changes to increase profitability. Also furniture in Finland is mainly sold through specialty stores so for example hypermarkets with their high volumes do not mess the business. Moreover the industry has not been used as a case industry by any of the authors discussed in the paper.

1.1 Objectives

The primary objective of this paper is to modify the use of existing service classification frameworks to better fit the service strategy planning. The normative framework that has been created for service classification is going to be tested. The goal is to see if the proposed framework combining the traditional approach and the customer service channel approach by Haapanen & Vepsäläinen (2005) could give useful insight for the strategic decision making in the service industries.

The existing service classification frameworks mostly from the 90's face the problem of not being normative. They do give some kind of indication about how the current process should be produced, but not much more. Also the services are often so complicated that the functions in the service are not able to be produced the same way. As the tested framework splits the service into smaller pieces, this could help to better utilize the normative advices by the existing service classification frameworks. The assumption is that the framework increases the usability of the existing service classification frameworks for the strategic planning to what they are originally created for.

A limitation of the current service classification frameworks is the measurement. The parameters are mainly very implicit and therefore difficult to use as the positioning of the companies on the matrix' is inaccurate. The assumption is that the tested framework would ease the measurement problem as it is to split the functions of the companies to unambiguous ensembles that are easier to measure.

1.2 Research limitations and methods

The testing is done using the Finnish furniture retailing as a case industry. The research is about the interface between the retailer and customer, as the paper focuses on testing if the strategic choices of the service companies could be done by using the framework created for the analysis. The results are compared to the results of an analysis done with five traditional service classification models.

The information of the case industry from the retailer side is gathered mainly from public sources, namely Internet. The customer view is clarified through a questionnaire targeted to consumers who have been buying furniture lately or are planning to do so soon. The information on the global company Bed Bath & Beyond is gathered mainly by a single interview of a customer. The analysis is completely qualitative.

1.3 Contents

This paper includes five main sections. In the next chapter the paper presents the classification frameworks used in the analysis. The chapter three introduces the framework created. Chapter four gives an introduction to the case industry, Finnish furniture retailing, using the public sources and the results of the questionnaire done for the consumers. Chapter five is to analyze companies in the case industry using the service classification frameworks, analyze the customer service channels of the companies using the service classification frameworks and comparing the results. Chapter six concludes the discussion and points out the issues for future research.

2 Theoretical background

The service industry's classification has started in the 1970's. The service classification as it has been done in the 1980's and 1990's can all be seen derived from the product-process matrix by Hayes and Wheelwright (1979), which have been tried to modify to apply for services. The dimensions used by the authors for classification are mainly derivatives from product and process so that product is substituted with service and process is simply the service production process.

The need for service classification models comes from the famous wisdom; you cannot manage what you cannot measure. The fact of knowing where you are now gives you idea how to develop your business in future. All the models are also normative trying to give some kind of answer for the question what should my service process be like when my service is like it is. For example Cook et al. (1999) defines the reason for the service classifications to exist:

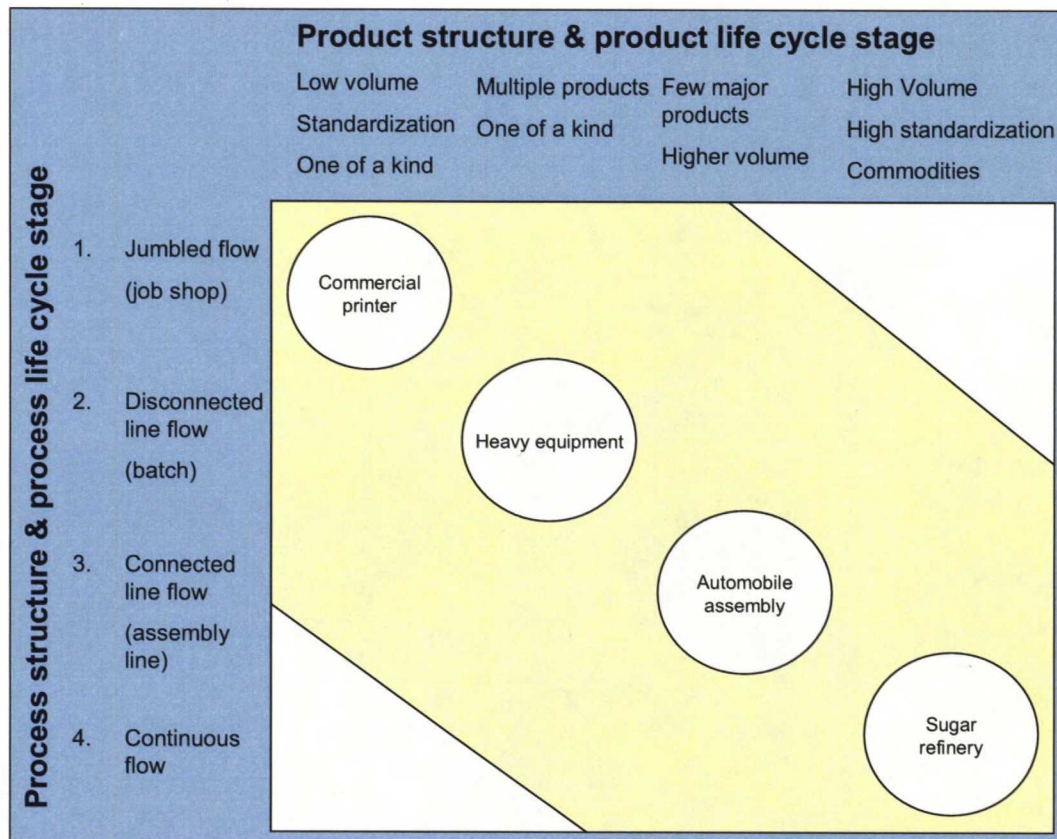
"The utility of service classification schemes ultimately lies in their ability to facilitate the development of meaningful strategies and guidelines for service marketing and operations", (Cook, et al., 1999)

The next chapters include presentations of the various service classification frameworks, starting with the product-process matrix by Hayes & Wheelwright (1979) and moving on with some chosen service classification frameworks derived from it. These service classification frameworks will alter on be used for testing the framework created.

2.1 Product-process matrix by Hayes & Wheelwright

Hayes and Wheelwright (1979) suggested that production can be efficiently done only if production and product structures match. Product life cycle with the four stages – introduction, growth, maturity and decline, were to be matched with proper production process. In the introduction stage the product has less demand and its demand is uncertain. Therefore production is more "fluid", being flexible and less automated. The authors suggest this to be in a job shop. When the product steps to growth stage more investments to production is done and the processes get more automated. This results a batch process. When the product is in maturity stage the investments to capital get higher making the process to loose its flexibility, but this is substituted by low variable cost as the production efficiency increases. This production type would be done on assembly line. In declining stage the processes are even more inflexible and variable costs are pulled

even more down. The authors claim this to mean that production is done as continuous flow. The authors point out that the products produced in the process decreases when the product moves forward in the product life cycle.



Picture 1: Product-process matrix by Hayes & Wheelwright (1979)

This pattern creates a matrix where we have process life cycle stage on the vertical axis and product life cycle stage on the horizontal axis (Picture 1). In the matrix there is an efficient diagonal from the left upper corner to right lower corner. When a company operates on this diagonal it should be superior to those operating outside of it. Still Hayes & Wheelwright (1979) do not suggest that only the four options on the product-process matrix are optimal. Companies may have competences that make it able for them to operate efficiently more far away from the most optimal part of the diagonal suggested by the matrix.

Product-process matrix faced difficulties to be used in service industries. As Collier & Meyer (1998) points out (also Silvestro et al., 1992) in services there is no necessarily relationship between volume and process structure that is essential point in product-process matrix. In manufacturing higher volume should mean less products and more standardization and vice versa. However in the service industry increased demand usually leads to increase in capacity instead of

change in service strategy. Therefore there have been various attempts to create a framework that would overcome the problems with fitting the framework by Hayes & Wheelwright (1979) to service industries.

2.2 Service classification model by Silvestro et al.

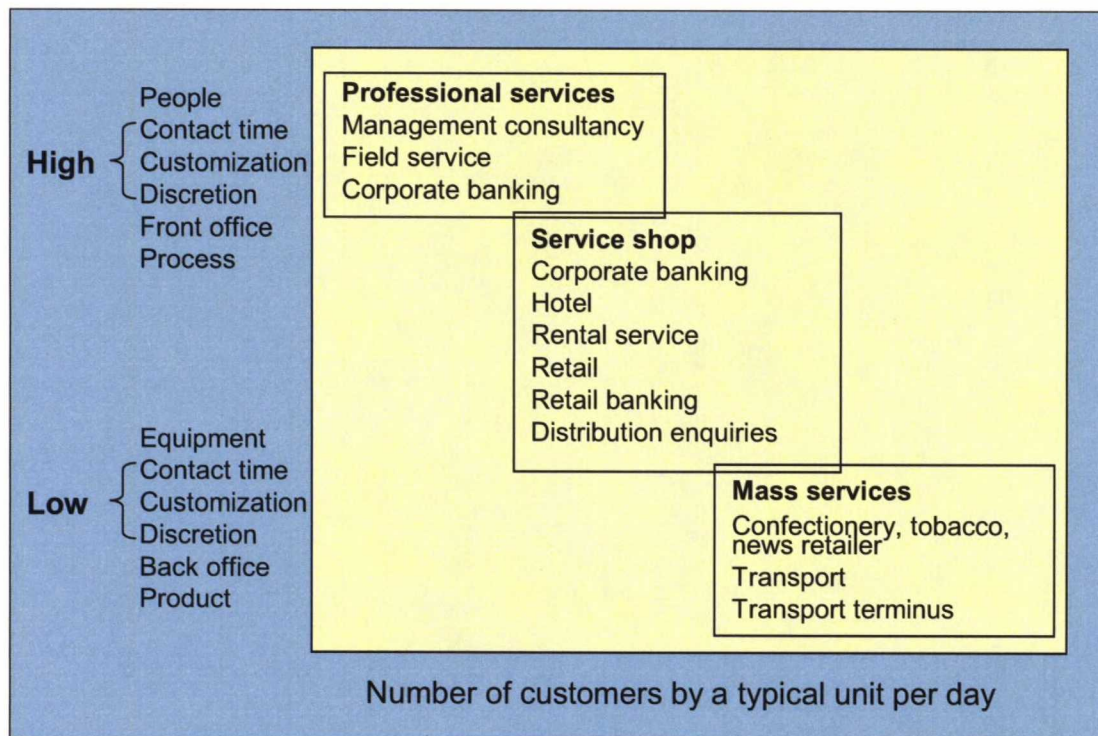
Silvestro et al. (1992) presents a normative service process classification model. The authors recognize the history of service strategies to include several classifications, but they raise the question if they really are normative or not. The authors' goal is to create a framework that would be cohesive and normative. The two dimension matrix by Silvestro et al. (1992) is formed on horizontal axis from the number of customers processed by a typical unit per day which describes the process and on vertical axis from several parameters defining the service.

The horizontal axis describes the service structure by measuring the volume of the service process per typical unit per day. The authors use this approach as their intension is to find a corresponding dimension to Hayes & Wheelwright's (1979) product structure presented in chapter 2.1. Silvestro et al. (1992) claim that the volume of services and number of service outputs is not a relevant measure in manufacturing attributable to the heterogeneity and intangibility of services. Therefore they consider that the appropriate measure is the volume per unit per day. The fit to the framework is tested with 11 case studies for UK service industry companies.

The vertical axis is a complex continuum of six different parameters to define the service process dimension. The six parameters have been picked up from the literature and they are:

- **Equipment/people focus:** Equipment focused services are ones with equipment is in the main part producing the service and service with people focus as the main part.
- **Customer contact time per transaction:** The amount of time customer is involved with the service personnel or facilities.
- **Degree of customization:** The amount of adoption to individual customer.
- **Degree of discretion:** Amount of exercise judgment given to the front office personnel in altering the service package or process without referring to superiors.
- **Value added back/front office:** Proportion of influence by front office compared to back office.

- **Product/process focus:** In services with product focus the emphasis is on the product that the customer buys and in services with service focus the emphasis is in the way the service is produced.



Picture 2: The service classification model by Silvestro et al. (1992)

Then all the parameters are defined and consensus looked for. The authors used Delphi method to find the consensus where a group of professionals defines the parameters and after that the consensus is looked for by discussion. As a result defining the product and service dimensions we get Picture 2. The authors claim that there are three different kinds of service archetypes that form a diagonal. The professional service have relatively few transactions, are highly customized, process-oriented, with most value added in the front office and considerable judgment is applied in meeting customer needs. Authors give examples of this kind of service organization to be management consultancy, field service and corporate banking. The mass service have many customer transactions, involves limited contact time and little customization. The offering is more product-oriented with most value being added in the back office and little judgment applied by the front office. The examples by the authors are confectionery, tobacco & news retailer, transport and transport terminus. The third service archetype is service shop which falls between these two. Examples by the authors are corporate banking, hotel, rental service, retail, retail

banking and distribution enquiries. The authors point out that as the service archetypes are partially parallel the service can be hybrids between them.

The implications of this normative framework are to try to fit the service process in some of these service archetypes. After that the management has to plan the strategy to enable the service production.

2.3 Service process / service package matrix by Kellogg & Nie

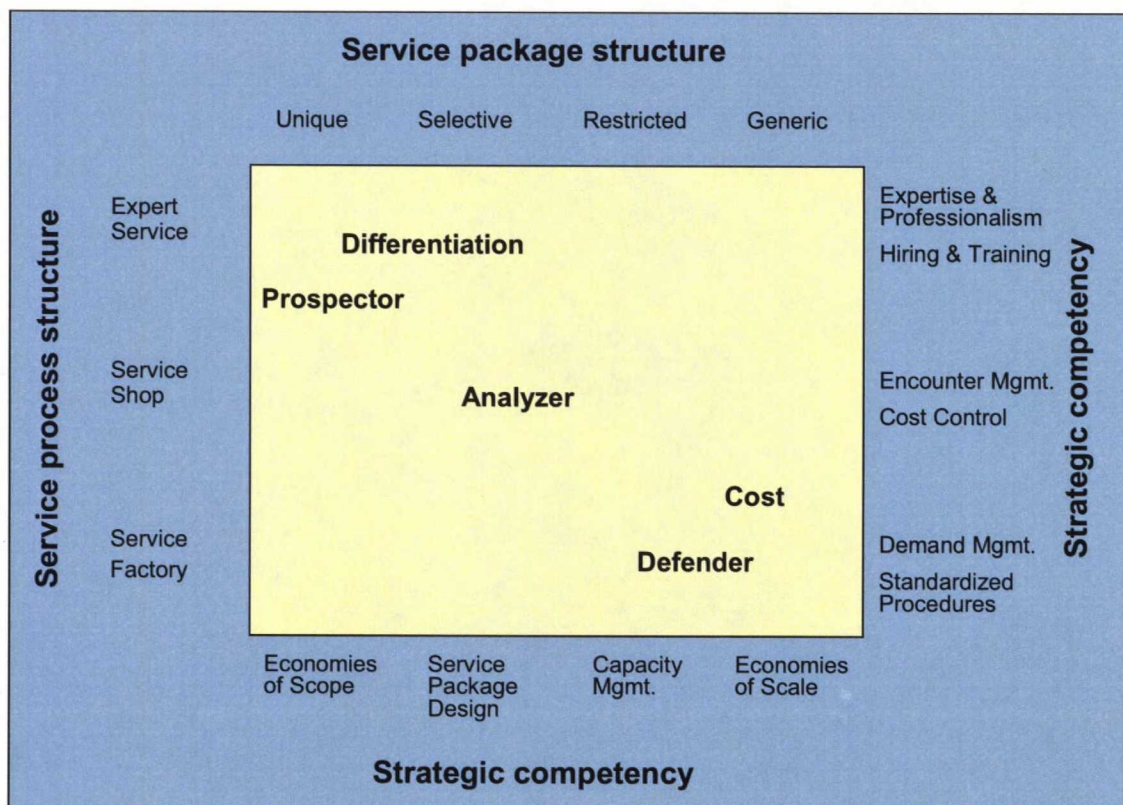
The service process / service package matrix by Kellogg & Nie (1995) is concentrating on the problem of the existing service classifications which is that there is no strategic implications given by the normative models, only implications to improve the process. To fix this problem the authors introduce service package to measure the service dimension and give the appropriate suggestion for the service process structure.

The service package dimension on the matrix is defined by tangible and intangible parts of the service. The authors use the definition of the service package by Fitzsimmons & Fitzsimmons (1994), which includes supporting facility (physical resources that must be in place before the service can be offered), facilitating goods (used and consumed by the customer), explicit services (benefits readily sensed by the customer and are essential part of the service) and implicit services (benefits that are sensed by the customer vaguely and are external features to help producing the service.). These features of the package are defined by the degree of customization. Then consensus is searched and service placed on the horizontal continuum that is divided in four parts as we can see from Picture 3. Unique service package is on the left hand side facilitating the most customization. The service is one of a kind and customized to the customer fully. The second service package is selective and includes moderate amount of standardization, though it leaves high amount of options for the customer. The restricted service package structure includes only limited amount of customization for an individual customer as the service package is standardized and the customer selection is limited. The generic service package surprises by being the least customized. There is hardly any customization for the customer.

The service process dimension on the matrix is defined by the customer being part of the service production. The ways that the customer can influence the service is in design, delivery and content. The service process dimension is divided in three categories. The first is expert service that includes high amount of customer influence. The customer and service provider work together to define, produce and deliver the service package. In a service shop the amount of customer influ-

ence is at medium level. The service shop is to balance between customer satisfaction and operational efficiency meaning some degree of standardization still allowing customer to have some influence on the service process. The service factory has the least or no customer influence in the service process. The individual service operations are standardized as well as the sequence of the service processes. The customer can have an important part in the service production, but the possibilities to influence the production are low.

The authors do pay attention to the fact that a service company can be performing huge amount of different services and analyzing them all as a whole can be very difficult. Their solution for the problem is to analyze the “core” service offering or a large company can analyze all the services offered separately finding itself from several positions in the matrix.



Picture 3: Service process / service package matrix by Kellogg & Nie (1995)

After defining the two dimensions we get the service process / service package matrix presented in Picture 3. The dimensions create an efficient diagonal like all the matrixes from the left upper corner to the right bottom corner. In the left upper corner are the one-of-a-kind services that are highly customized for individual customer. An example given on this kind of service is consulting businesses as they are hardly ever done twice the same way. The emphasis is on value added. In the middle of the diagonal are the services that include high amount of standardized options

for the customer. The example given of this is university education. The student has high amount of possibilities to choose from majors and courses, but the actual majors and courses can not be customized for individual customer, excluding the customization in class in form of discussion. In the bottom right hand side Kellogg & Nie (1995) have the fully standardized services that hardly have options for the customer. An example given on this type of services is package delivery where the customer has only very limited options to choose from in the delivery times and package sizes. The customer does not have any influence on the actual service production process. The low customization brings along high efficiency. The authors point out that with use of information technology mass customization can be possible and profitable placing the service to left bottom corner in the matrix, meaning that off-diagonal positions are possible in some cases.

The Picture 3 includes the strategic competences that a company needs when it has a certain service process structure or certain service package structure. In an expert service the strategic competency is on expertise and professionalism. The employees of the company are the main resource and therefore the human resource department is important. The hiring and training are essential for a company offering expert service. In a service shop a company has to balance between managing service encounter and controlling costs. The capital intensity plays a medium role, but the service processes have to be designed taking into account that customer has significant role in the service. In this kind of process structure the customer can be a partially an employee taking part into the process. Therefore the process design has to take this into account making the processes easy enough to perform for the customers. A service factory the standardization of procedures is the highest meaning that a company has to concentrate on demand management. Demand management is performed in form of matching the demand and supply the maximizing the profit. Kellogg & Nie (1995) consider good example of this to be airlines and lodging industries.

The service package structure requires also its strategic competences to be operated. On the right hand side we have the unique service package that requires flexibility and should be able to utilize economies of scope. That is due to the fact that customer has high discretion to choose the way the service is produced, therefore the service provider has to be able to cope with very different kind of service processes. The management consultancy is again good example. A company using the services of management consultancy can have very varying problems in their organization from varying inventory levels, problems with the staff to highly fluctuating sales and the service provider has to have a knowledge to handle these problems maybe even all combined. The selective service package requires from the service provider that the different service

packages are carefully designed. There has to be some standardization included still giving the customer high amount of possibilities to choose from. The balance has to be found between standardization and amount of freedom felt by the customer. Company operating with restricted service package should focus on capacity management matching demand and supply. The balance should be found between efficiency enabling low prices and customization the highly standardized service package to as many customers' needs as possible. When company operates with generic service package the only focus is on maximizing the economies of scale. This way the customers are willing to substitute the low customization with low prices. Essential issue for the company is to recognize the right service package that has the highest possible customer base, so that it is enough to achieve the maximum scale economies.

Kellogg & Nie (1995) have named five different kinds of service organization types on the service package / service process matrix. The authors claim that companies that position themselves to the upper left hand corner are likely to follow differentiation strategy (Picture 3). Their focus is on finding the optimal service package for each customer, which allows higher price level. Companies on bottom right hand corner are like in every model focusing to cost leadership. Looking for bit lower customer influence the authors have prospectors that are to look aggressively for growth possibilities. Their features are external and innovation orientation. Analyzers are bit like prospectors but their penetration to new markets is done after careful analyze so they are less aggressive on market penetrations. Their focus is more on efficiency and they are found somewhat in the middle of the matrix. Defenders are positioned so that they continue the diagonal started by prospectors and analyzers. They are internally oriented and efficient. They operate on narrow amount of services with narrow competence.

The three types of service organizations creating a diagonal - prospectors, analyzers and defenders - can be seen analogous to the product-process matrix by Hayes & Wheelwright (1979). The prospectors are the first to penetrate a market looking for the highest returns as their organization is relying on expertise and able to utilize economies of scope. The analyzers are the ones to penetrate the markets next as they are looking for more mature markets with more stable demand and higher standardization. They do this as their organization features require higher standardization and therefore higher customer base. Defenders are the companies that will penetrate markets only if the volumes are high enough in the mature stage of the service life cycle.

2.4 Service process analysis framework by Tinnilä & Vepsäläinen

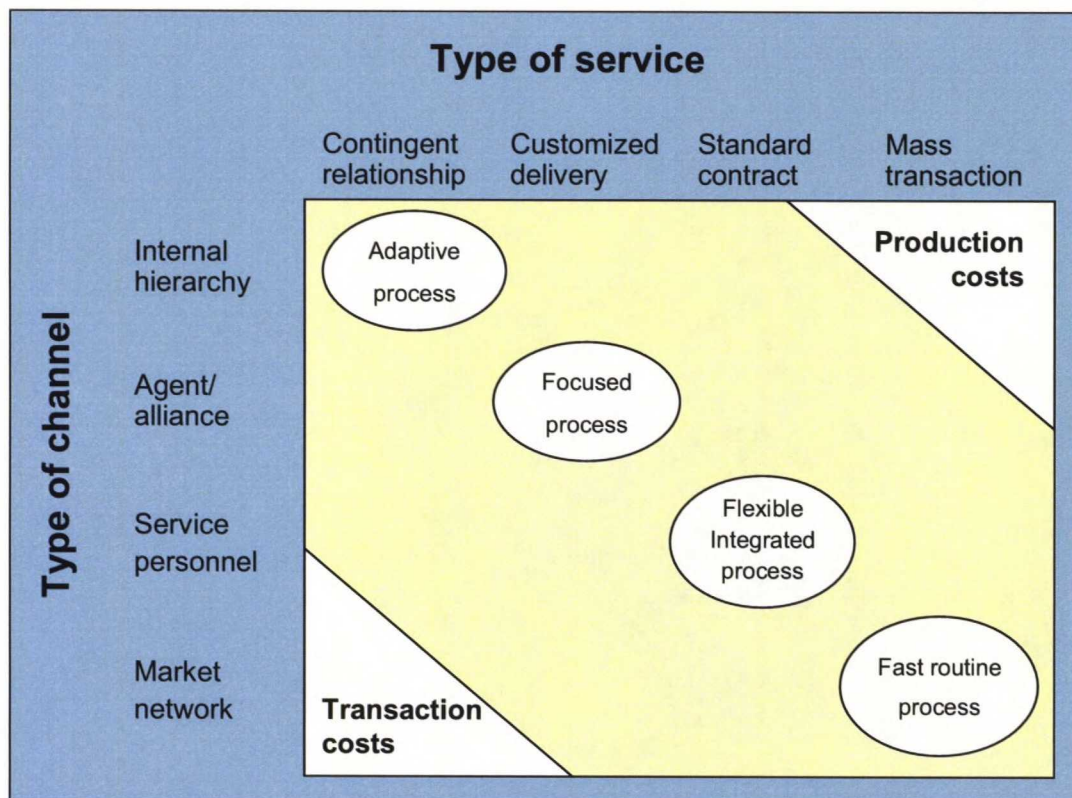
Tinnilä & Vepsäläinen (1995) present normative service process analysis framework that focuses on matching the right service with right channel. The matching is done ultimately to fit the transaction costs and production costs. The dimensions are therefore channel type to measure the service process and service type to measure the service itself.

The authors recognize the problem of the earlier frameworks including Silvestro et al. (1992) that are focusing on service processes and not to the service as a whole. The other problems that the authors see in previous frameworks are focusing on internal processes instead of the customer view, lack of describing the effects of technological changes and not taking into account the service channel choice.

The type of service dimension on the horizontal axis is divided into four different kinds of service types. The axis should not really be called continuum, but in the left side of the axis the service types have more complex output and include higher amount of contingencies. The first service type from the right is mass transaction, which hardly includes customization for a customer. These are routine tasks like ATM or internet banking. The next service type is standard contract that includes complex services with little options given to the customer. The examples by the authors are bank loans and individual lines of insurance services. The third service type is customized delivery services are tailored for individual customers including uncertainty and contingencies. In the highest position on the axis is contingent relationship that requires risk sharing and close relationship. The service itself has usually complex problems, several interrelated activities and intensive communication.

The type of channel dimension is divided also to four channels. The vertical axis is not much more continuum than the horizontal one, but the services in the bottom have the lowest transaction costs and shortest channel length. The first channel from the bottom is market network. The customers have a direct connection to the market resources with low intermediation. This channel type is usually a self-service like ATM or internet services. Service personnel is the next channel on the axis. The name of the channel pretty much tells what it is all about. Examples could be sales personnel in furniture retailing store or maintenance engineer fixing the fridge at customers home. Third service channel agent/alliance includes close to customer middlemen or mediators like independent agents and experts. The relationship between the parties may be informal, formal or the service provider can be an independent unit inside a company. The most complexity tolerant channel in the service process analysis is internal hierarchy and it is pro-

duced inside an organization. The relationships between the channel members are intense as the channel is fully inside the consuming company.



Picture 4: The service process analysis matrix by Tinnilä & Vepsäläinen (1995)

Defining the service and channel type gives us Picture 4. From the left upper corner to the right bottom corner we have the efficient diagonal. The target reached on the diagonal is to minimize the combined transaction and production costs. Transaction costs are the costs related to the channel and delivering the service, like negotiating and searching. The production costs are related to the production processes inside the company. If the industry where a company is operating is somewhat in normal competitive situation only operating at the diagonal can be profitable.

On the efficient diagonal the authors have named four generic service processes that are fast routine process, flexible integrated process, focused process and adaptive process (Picture 4). Fast routine processes are usually processed as self-service (forms, terminal connections, phone calls) and their advantages are low cost and high availability. Given examples are catalog style purchasing of components or purchasing of transportation service through an electronic exchange. The flexible integrated service includes several standardized options for the customer to choose from. The conditions are predetermined, but the customer can choose between the modules of process or options of service. An example could be a standard hairdresser that has lot of options

for the customer, but only in the limits of her skills and facilities. The third service process, focused process, is about delivering a degree of customization and expertise according to the needs of the customer. An example could be an independent insurance dealer. Adaptive process requires intense relationship between the service provider and customer enabling confidential communication and for service provider access to the customer's resource base. Problems dealt with are complex and they call for adoption to changing customer requirements. Providing the service may require changing processes outside the service provider.

The authors suggest that currently the direction of change in the diagonal is from the middle to the upper left hand and lower right hand corners. This is attributable to the fact that the companies need to focus more on either adding more value or increase efficiency. Otherwise the competition will wipe them of the map.

2.5 Service positioning matrix by Collier & Meyer

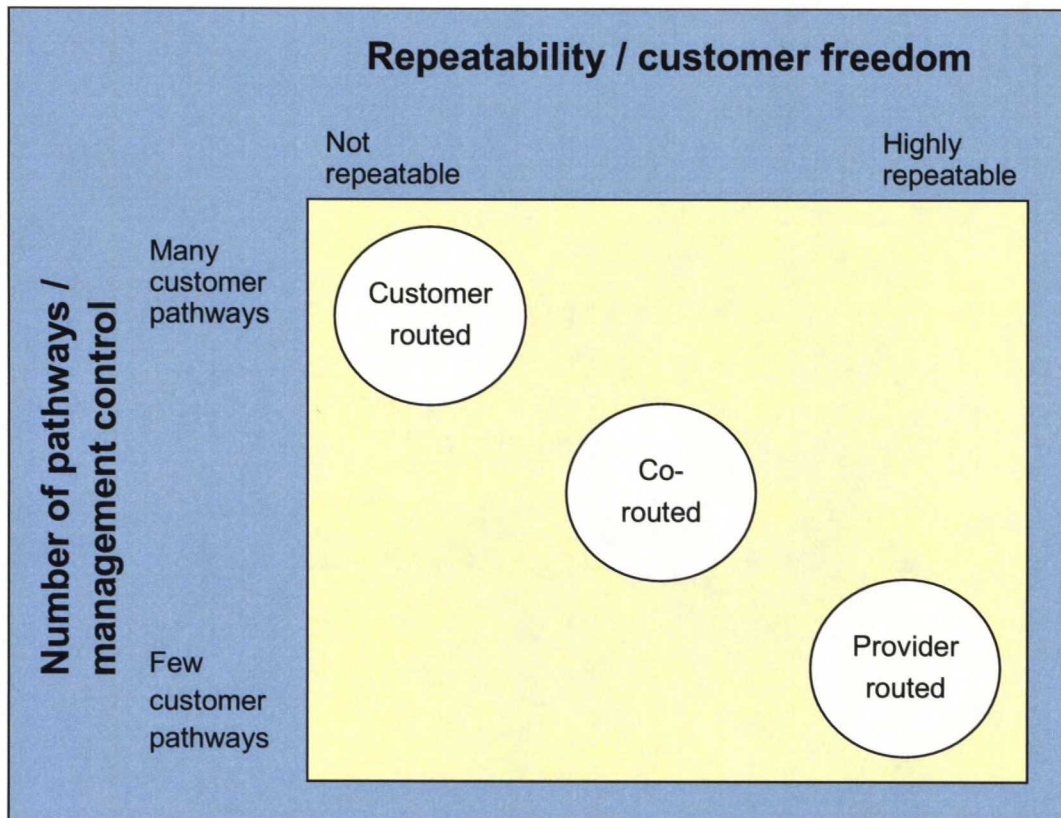
The service positioning matrix by Collier & Meyer (1998) is to analyze the service system design from the customer needs point of view. The authors wish to create a normative guideline for the service managers to support their decision making process in planning or revising a service or to control an existing service. Collier & Meyer (1998) recognize from the earlier service classification frameworks the problems of combining volume and customization, lack of clear direction of influence between matrix axis' and defining what customer actually gets.

The service positioning matrix includes customer's service encounter activity sequence on the horizontal axis and number of pathways built into the service system design by management. The horizontal axis is defined as customer freedom by the given opportunities to the customer to design her own unique service encounter activity sequence and repeatability of the service encounter. When customer has high freedom she can choose the service encounter activity sequence and the repeatability is low. When the freedom to choose the service encounter activity sequence is low the standardization can be increased and repeatability increases.

The vertical axis is about the management control. The number of unique pathways to and inside the service system for the customer correlates negatively with the degree of management control in the service system. When the management does allow high amount of freedom in the system the control built in cannot be very strict.

The service positioning matrix does not take into account the back office services that are not shown for the customer. The authors claim that they can be designed for efficiency. The matrix

is designed to help to meet the technical and behavioral needs of the customers, as these are seen to be the most important part of the service system design by the authors.



Picture 5: The service positioning matrix by Collier & Meyer (1998)

The efficient diagonal goes from the upper left hand corner to the lower right hand corner (Picture 5). The authors claim that the most of the services do fit the diagonal. The direction of causation is like in the product-process matrix (Hayes & Wheelwright, 1979) from the horizontal axis to the vertical one. The diagonal is divided to three different kinds of services, by the degree of customer having a role in the service system. On the upper left hand corner we have customer routed services which include the most pathways for the customer and the most freedom. The customer moves through a service system and processes choosing the way best suited for her. In the middle of the diagonal we have co-routed service with moderate repeatability and number of pathways for the customer. As the name suggests customer and service provider design the route somewhat together. The service provider has certain limits like facilities or skills, but the customer can choose within these limits the service sequence. The authors place legal and medical customized services to the left upper corner of the co-routed services. At the lower left hand corner in the co-routed services the place on-line stock trading and electronic filling of federal tax forms. The authors suggest that the companies positioning themselves in the middle of matrix

and therefore offer co-routed services need to reposition themselves to the bottom right hand corner or the left upper hand corner because it is difficult for the management to differentiate themselves from the competitors. Provider routed services in the bottom right hand corner of the matrix are mix of high repeatability and limited number of customer pathways. Examples given by Collier & Meyer (1998) are fast food restaurants and ATMs.

The authors do claim that in all positions of the matrix technology is present. Technology can be used to increase freedom and pathways for customer routed services in form of mass customization, in co-routed services to increase the options and making sure that the service provider has strict control to the service and in provider routed services to replace labor increasing efficiency.

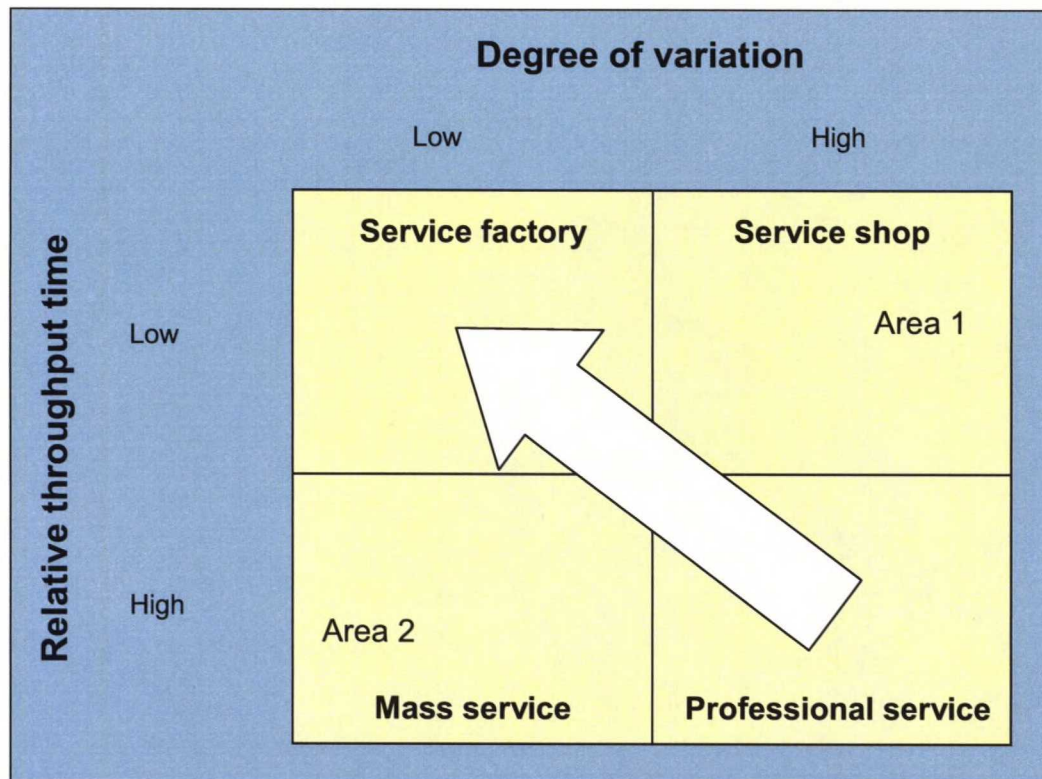
2.6 The revised service classification model by Schmenner

The idea of the original service classification model by Schmenner (1986) was to divide the services to four service operation types – job shop, batch, line and continuous flow. The dimensions were degree of interaction with and customization for the customer and degree of labor intensity. The argument of the model was that the movement was towards service factory from the other service operation types.

The original model by Schmenner (1986) has the problem recognized by the author that it considers control of the operations to be the key for the companies to increase profitability. However the author points out that productivity should be the driver of profitability. The key for increasing the productivity is considered by the author to be reducing the waste. Waste is defined to be over production, waiting, transportation, unnecessary processing steps, inventory, unnecessary motion and defects. The author claims that the productivity is affected by processing time and variation of processing time. Therefore he suggests that the proper measure for the vertical axis should be relative throughput time instead of the former degree of labor intensity.

In the Picture 6 we have the revised model by Schmenner (2004). The vertical axis is measured by relative throughput time, which is defined as the time between the service and facilitating goods being ready for use and the service encounter being completed and customer being satisfied. The horizontal axis is defined as degree of variation, meaning customization to and interaction with customers.

The white arrow in Picture 6 presents the service system movement in the matrix. Schmenner (2004) claims that companies are to reposition themselves towards the diagonal and service factory. This is due to pursuing higher productivity.



Picture 6: The revised service classification model by Schmenner (2004)

When companies are off diagonal on area 1 in Picture 6 they should seek reduction of variation in form of standardization. That is done by spreading overhead costs over more output and gaining more control in the process. This means that the direction of movement is left not downwards. On area 2 at Picture 6 the goal is to move upwards meaning balancing between keeping costs in control and providing enough capacity at the same time focusing on securing smooth operations.

2.7 The customer service channel model

The customer service channel model (Haapanen & Vepsäläinen, 2005) is created to analyze the value functions. The purpose of the model is to formalize the structures of the value functions, which makes it possible to assess the widespread of certain organization's processes and role. Also the model is to explain which like the separation of institutions roles will turn to in the future. (Haapanen & Vepsäläinen, 2005)

The traditional view on value functions between seller and buyer has been to see it as a value chain (or supply chain) meaning chain of companies that all perform a certain task. This view means that there is several buy and sell tasks performed inside the value chain already before the customer has the product available in the store. In practice the chain includes for example several

promotion and warehousing operations as every company has to take care all processes of their own part of the chain fully. An example of value chain in case of a traditional plastic toy business could look like this. First there is manufacturer who purchases the raw materials and components from a supplier to manufacture the product. Second the toy manufacturer promotes the product to sell it and has it in its warehouse until it gets an order for the products from for example an importer. The importer gets the products to its warehouse, where it has them as long as a franchising group buys the product in result of promotion by importer. Next step would be the transportation of the goods to franchising group's warehouse, where the products will lie until the stores will order (or are made to order) them. Finally the products are transported to the stores where they are available for the consumers. Depending on the demand the products are in the stock for some time and in case of low demand they are eventually sold on discount.

An advanced version to see the value functions as value network. Value network exists as the companies are focusing on their core competences. Therefore companies in the network are performing smaller parts of the product's process from to be the raw material to the hands of customer. Creating good relationships with the right partners is important part of the value network creation, as the whole network will compete more or less as one against other value networks. This should make the value network processes lighter for example as in integrated network promotion is more or less substituted with relationship development and material flows are coordinated in the whole value network level. Classical example of this could be for example Nokia's mobile phone business. The company itself is focusing on customer relationship management, distribution and R&D. The rest operations including component manufacturing, transportation coordination between the various suppliers and assemble are performed by different vendors that create a value network around Nokia. The company has been very successful in choosing the right companies in its network, which is seen to be as one of the major reason for its superior efficiency.

In case of services the traditional ways to see the value functions that concentrates on companies is somewhat restricting. It does not take into account the way the consumer sees the service consumption from her own point of view separating implicitly the service to different service contacts. Therefore Haapanen & Vepsäläinen (2005) suggests that there should be four different customer channels between consumer and service providing organizations – persuasion, financing, dealing and production & delivery (Picture 7). Traditional view on the contacts and channels where these contacts have happened are material channel and information channel. These are very restricting and solely from manufacturing industry point of view. Two other channel classi-

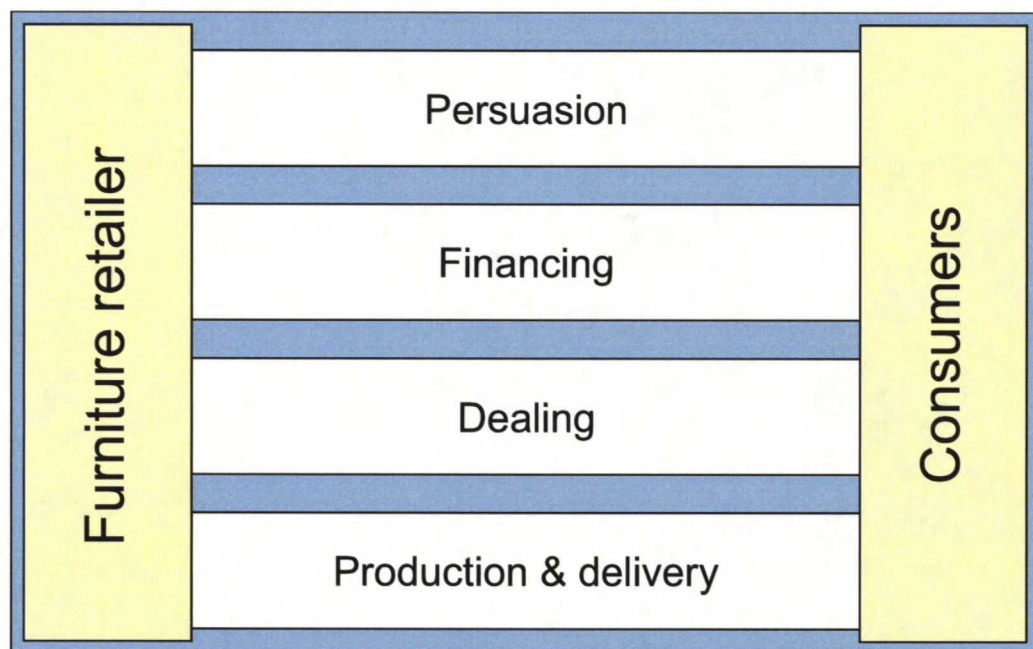
fications have been by Abrahamson & Brege (1997) to physical distribution, sales and administration and Rosenbloom (1995) to product flow, promotion flow, negotiation flow and ownership flow, which both fit lot better to services, latter being close to the idea of Haapanen & Vepsäläinen (2005). The four customer channels include the following flows:

Persuasion channel is ultimately between consumer and R&D. The consumer gets information of the services through the promotion channel and the R&D gets information about the customer preferences.

Financing channel is for settling the payments, insurances and providing return on capital, risk management and motivation for the cooperation.

Dealing channel is to manage the orders, guarantees, claims and other obligations.

Production & delivery channel is for delivering the product for the customer and after sales service.



Picture 7: The customer channel model (Haapanen & Vepsäläinen, 2005)

The rational by Haapanen & Vepsäläinen (2005) behind these four channels is basically that they all can be performed separately by separate organizations discarding the lines between businesses. The standardization can come in form of processes and information systems, not from the choices by certain organization that has the most power. This leads to institution structure that would enable smaller organizations with smaller resources to compete with older heavier organizations in these customer channels. Important is that the certain company offering the certain

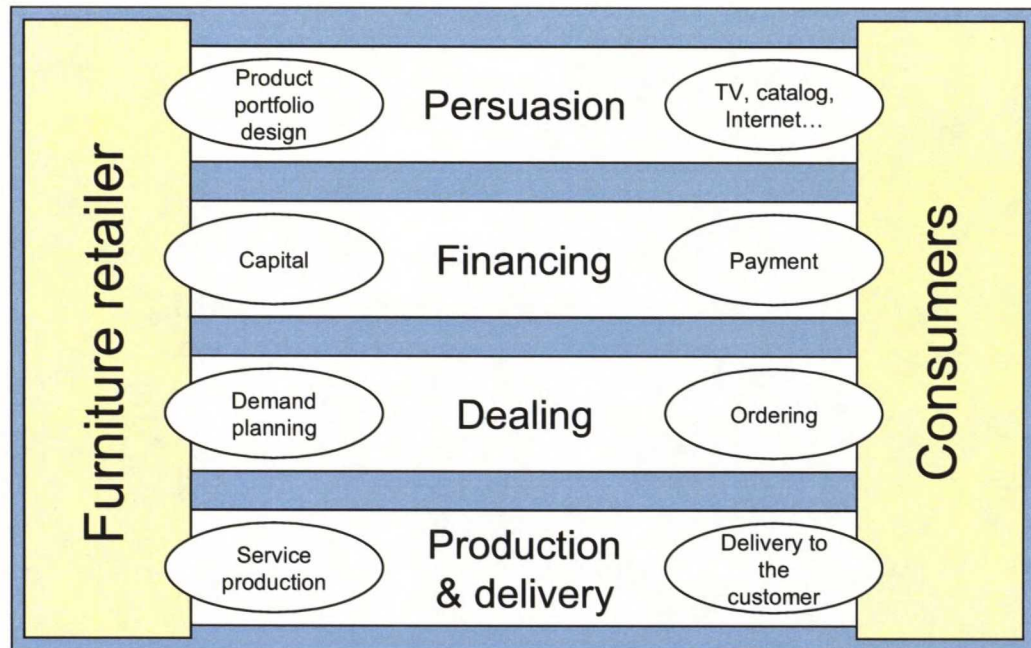
service to one or more channels has the resources to provide that service not if it has ties to a specific industry or it is part of specific closed network. This leads to more competition and higher efficiency of the value functions.

The current service classification frameworks are not very useful as such due to being difficult to apply for the whole service. Some of the service classification models are suggested to be able to analyze the separate processes inside the service. This is good idea if we forget the customer point of view. By analyzing all the smallest processes in the service production the service provider ends up maybe having efficient service system that does not fit to customer needs at all. The customer service channel approach sees the value functions in channels that are familiarized as a services form the customers' point of view. Table 1 presents the seven arguments by Haapanen & Vepsäläinen (2005) with examples, why the separation to four channels is rational.

Uniting feature	Examples
Services & competences	Persuasion is best managed with good CRM competence, production & delivery with OM & logistics competence
Addresses, keys & passwords	Credit card for financing, password for the personalized web shop for persuasion & ability to talk in dealing
Differing responsibilities	In persuasion media, in dealing infomediary, in financing a bank & in production & delivery 3PL company
Law and legislation	Transportation and product responsibilities for production & delivery & finance legislation for financing
Information technology	CRM for persuasion, settlement systems for financing, & ordering via web shop in dealing
Research & education	In a business school marketing major is focusing on persuasion, business law on dealing, finance & accounting to finance and logistics to production & delivery
Organizations & career paths	Persuasion channel offers the career path for a marketing specialist & production & delivery for logistics specialist

Table 1: The justification of the four customer service channels (Haapanen & Vepsäläinen, 2005)

Picture 8 presents the four channels and the service processes that are required for the service system in the Finnish furniture retailing industry.

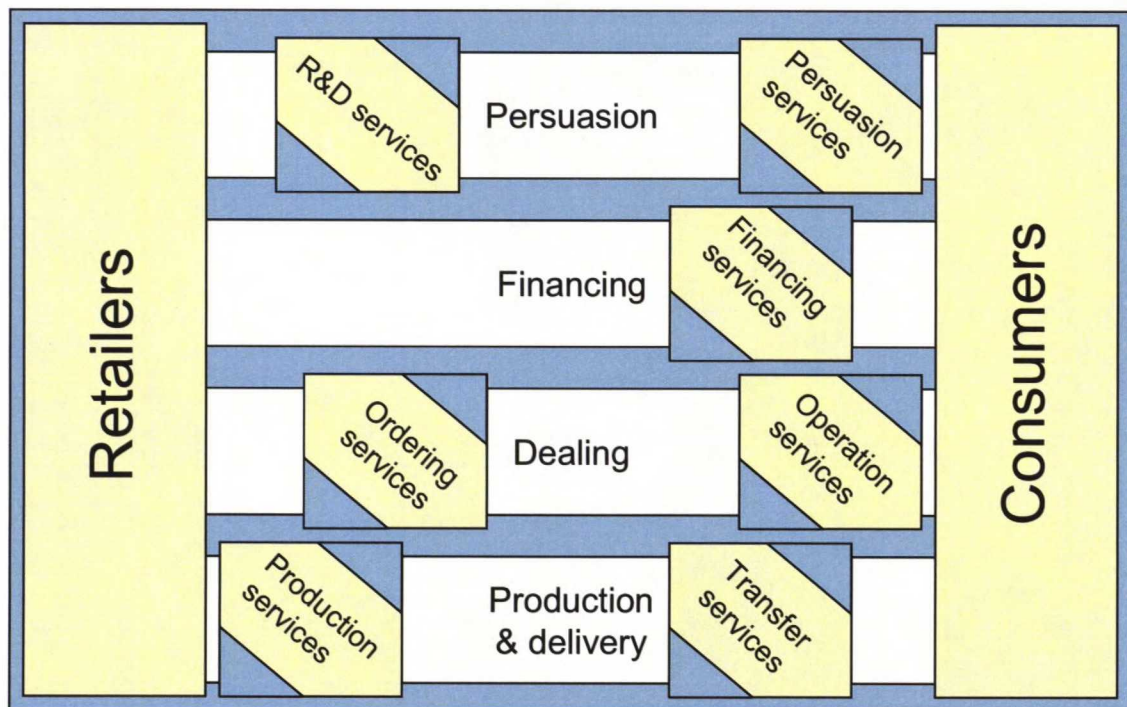


Picture 8: The four customer channels in Finnish furniture retailing

In persuasion channel's customer side there is the promotion that is used by media focused for the potential customers. In the furniture retailer side the picture includes product portfolio design. The interaction between these two is very essential for the customer to get what she needs and the value functions to find the right portfolio for the customer. In the financing channel the customer side includes the payment of the service and the furniture retailer side providing adequate return on capital. An effective channel is to make the cash flows rapid and make sure that all members are satisfied financially. The dealing channel in the customer side means ordering, which in furniture retailing is mainly done in the stores or via web shop. The furniture retailer side interacting with the customer orders is demand planning. The demand planners/buyers plan the orders to the manufacturers. When the channel works efficiently customers get what they want and the company does not have excess inventories or problems with the delivery times. The production & delivery channel has delivery to the customer on the customer side and the service production on the furniture retailer side. The channel is all about logistics and smooth material flows.

3 The framework

The traditional service classification models have the problem of defining usually the individual processes even though the normative classifications are made to give service strategy implications for the whole service. To overcome the problems of defining the whole service we will leave the traditional approach and go with a hybrid solution. The value functions are to be divided to four customer service channels, like presented in Picture 9 and the channels are analyzed using the five service classification frameworks by Silvestro et al. (1992), Kellogg & Nie (1995), Tinnilä & Vepsäläinen (1995), Collier & Meyer (1998) and Schmenner (2004). The main idea is to look if all the four channels' customer encounter side of a company fit to the furniture retailer's service strategy and image or not. The focus is on the processes of the customer side, meaning the right hand side of Picture 9.



Picture 9: Service processes inside the customer service channel by Vepsäläinen (2006)

This framework is tested with five companies from the Finnish furniture retailing industry. The companies picked differ in form of price image/product portfolio relationship. This should show if the framework places the companies' customer service channels nicely to the diagonal according to price image/product portfolio relationship. If the companies do not position to the diagonal

according to their price image/product portfolio relationship it indicates either lacking framework or homogeneity of service strategy between the service providers.

The results are compared to the analysis of the complete services of the companies'. This gives the possibility to test if the framework proposed adds value to the traditional approach where the analysis is done to the whole service at once.

It should be expected that the framework gives better advices for the service strategy planning than the traditional service classification models. This should be as we are able to see if each channel is designed so that they support the aggregate strategy of the company. For example financing channel should be designed so that it supports the quality image in Mercedes-Benz dealership, meaning additional services and options in the payment process and method compared to a Seat dealership. The traditional methods only give ideas how the whole service should be designed, but the framework should also give advice on how to design the channels to reach the service strategy desired in the whole company level.

The five rather popular service strategy frameworks chosen to be compared with the results from the framework are somewhat different even though all can be derived from Hayes & Wheelwright (1979) product-process matrix. All they have a continuum that represents the service and it is defined with some kind of parameter that measures the complexity of the service structure. The other continuum represents the process and is defined with a parameter measuring the complexity of the service process. The parameters used do give very varying results.

Silvestro et al. (1992) with their complex framework focus only on the processes in the service production, which makes it difficult to analyze the whole service. The matrix created by the service analysis process gives advices only how to organize the production process. There is no help given for the strategic planning or repositioning. Therefore when considering the implications from the framework the results as such will not give an idea how renew the service strategy, but only which service process type should be used for the service production and if the customer service channels are inline with the service strategy.

The revised service matrix by Schmenner (2004) has also focus on processes. The focus, however, is more from the customer point of view. Therefore we are able to use the results from the analysis to consider if the degree of variation parameters (customization for and interaction with customer) should be changed so that customers consider these differently or increase efficiency. In case of retailing industry changes in variation mean mainly change of the additional service offered in each channel. The throughput time change indications could be reached by changes in

technology that is not used comprehensively in the furniture retailing industry. On the other hand technology can also be used to increase the customization for the customer at the same time increasing the throughput time. Bitner et al. (2000) discuss about the fact that there is several examples of service industries improving customization for the customer and at the same time reducing the throughput time. An example is AT&T that is able to know always who is calling and this way improve the service by being able to customize the service automatically. Also the throughput time reduces as the customers profile is available for the service personnel and the customer does not have to go through her history. In furniture retailing the continuums could be between customizing the service for specific customer using technology and adding services vs. increasing the volume and reducing the costs and prices by improving inefficient processes. Approach by Schmenner (2004) is able to give implications for all four channels as the approach can handle also more complex process structures. However it most likely will not be able to reconsider the whole value function that every furniture retailer is taking care of in the Finnish markets.

The framework by Kellogg & Nie (1995) again keeps on focusing the processes giving some thought to the service as a whole. The service process continuum gives the indication of the process structure. This means in retail industry very little as such. However it gives the idea if the process should be more or less cost efficient or give emphasis on customer influence and adaptability. The service continuum is all about the service package and its customization possibilities. Therefore in retailing industry we should speak about the addition of technology to make able the mass customization, in contrast to Schmenner (2004) or adding services and skilled employees to the channels to add more value.

The framework by Tinnilä & Vepsäläinen (1995) focuses to the service at some degree as a whole. This gives us the possibility to apply all four channels rather easily though we still may face some problems as the channels, especially production & delivery, include several differing processes in the service. The type of channel in retailing is rather simple, as only the channel type needs to be determined. Also the service type should be simple to be picked up from the continuum. The advices given by the matrix are to reposition the service in the diagonal to the bottom right hand corner or left upper hand corner. In furniture retailing this means that a simplified service is been performed with market network, or the service performed by specialized interior designers for all customers separately. However with improved information technology this may not be very effective strategy. For example use of marketing network can be possible

with customized delivery for example by using virtual fitting service that is at some degree used by IKEA.

Collier & Meyer (1998) focus more on analyzing the service more as a whole and from the customer's point of view. The repeatability is the measure of the service, which indicates the freedom of the customer in the service, and the need of management control is the measure of the process indicating the amount of management control needed. In furniture retailing the answers by the model are likely to be to change the customer encounter process to either simplify to increase efficiency or specialize it more to add more value.

4 The case industry – Finnish furniture retailing

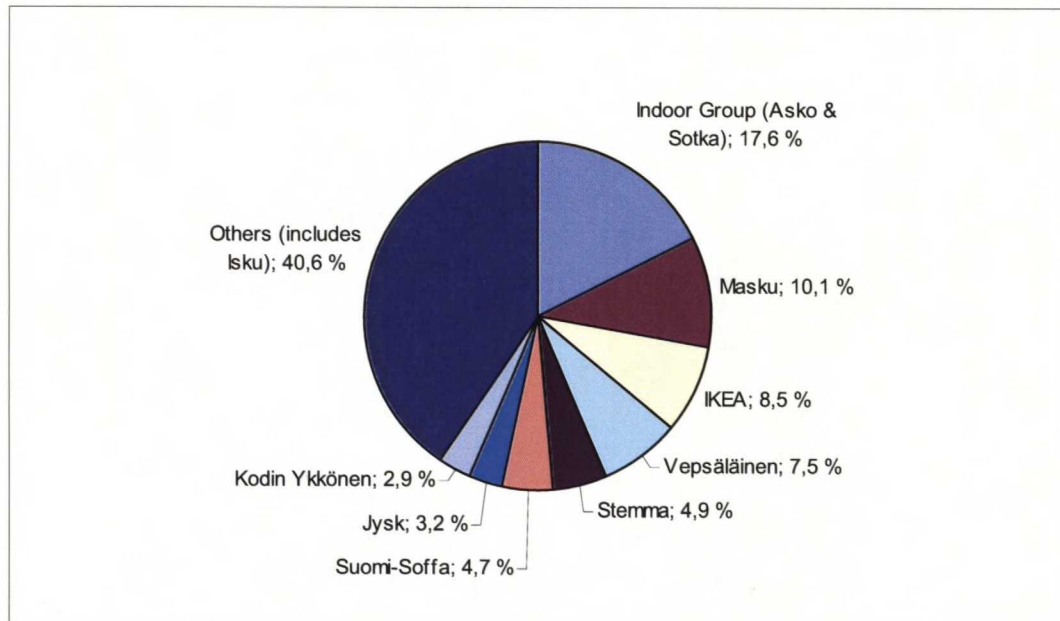
The information about the markets and companies' processes are gathered from the Internet. The main source has been the home pages of the retailing companies' themselves, especially when talking about the actual services the retailers offer. The additional information about the processes has been searched from the vendors' home pages that produce services for the retailers. The facts about the Finnish markets are generally from the home page of Forma Ry that is an association of the Finnish furniture and gift industry and from home page of Statistics Finland (Tilastokeskus). Information about the business globally have been found from the articles mainly in electronically form around the world, but in case of Bed Bath & Beyond also by a single interview of a customer.

4.1 The Finnish furniture retailing markets and the companies

The Finnish furniture retailing markets can be considered to be rather fragmented. The eight biggest companies operating the nine biggest chains captured 59.4 % of the markets in 2006 (Forma Ry, 2007). This means that small furniture retailers with less than 1 % market share dominate 40.6 % of the markets. Market shares in Picture 10. However, this thesis focuses on the largest retailers that have the largest resources and more formal processes. The market shares by Forma Ry can be considered bit dubious, as they are collected from the companies themselves and through Statistics Finland. The statistics for example leaves out market share of Isku, one of the biggest Finnish furniture retailers. However this is not a problem for this research as it gives a rough idea on the market positions of the companies.

The growth rate of the sales revenues in the business has been 2004 11 % and 2005 and 2006 around 7 %. The volume of the Finnish GDP has grown considerably less at the same time 3.7 %, 2.9 % and 5.5 % respectively (Tilastokeskus, 2007). This indicates that the business is growing strongly as people are more and more spending their money on home furnishing.

Most of the furniture in Finland is sold through special stores. Supermarkets and department stores do not play important role and are not threat to furniture retailers like for example Wal-Mart is in the US markets. Big department stores sell usually only small amount of seasonal furniture like outdoor seating in the summer time.



Picture 10: Market shares in Finnish furniture retailing excluding interior products (Forma Ry, 2007)

The biggest company Indoor Group Oy runs two chains Sotka and Asko, that both have operated in the markets for decades (Indoor Group, 2007). The chains were merged in 1999, when venture capitalist Sponsor Capital Oy, bought both the chains and merged them under one company. The management has been mutual since 2002 (Indoor Group, 2007), but the brands are kept separate as Asko is more upscale with wider product portfolio and Sotka concentrates on price leadership. Both chains present the very traditional furniture retailing with buy and sell focus. The Finnish retail giant Kesko that also operates Finland's ninth biggest furniture retailer Kodin Ykkönen that has focus on interior acquired Indoor Group. Kodin Ykkönen sells also its products via Internet. The three chains combined captured over 20 % market share of the Finnish furniture retailing markets in 2006 (Forma Ry, 2007).

The biggest chain in 2006 was Masku Oy with market share of 10.1 %. The company has gained market share by opening new stores in past few years (Forma Ry, 2007). The brand is old and presents the very traditional furniture retailing with push supply chain and focus on price (Masku, 2007).

IKEA is the fourth biggest furniture retailer in Finland. With its two stores the company captured 8.5 % market share of the furniture markets and 10.9 % market share including interior products (Forma Ry, 2007).

The fifth biggest retailer is Vepsäläinen. The company has been positioned bit differently than the most of the big furniture retailers in Finland. Vepsäläinen emphasizes quality and style,

which is also shown in the company's image. Still the company does not offer any special service in addition to the ones offered by the competitors.

The Finnish furniture retailers face considerable competition from only two foreign companies - IKEA and Jysk. Both have their brick-and-mortar stores in Finland and the first has its web shop as mentioned before. The Finnish retailers do not face any real competition from the foreign web shops excluding IKEA as they do not serve Finnish addresses as standard service.

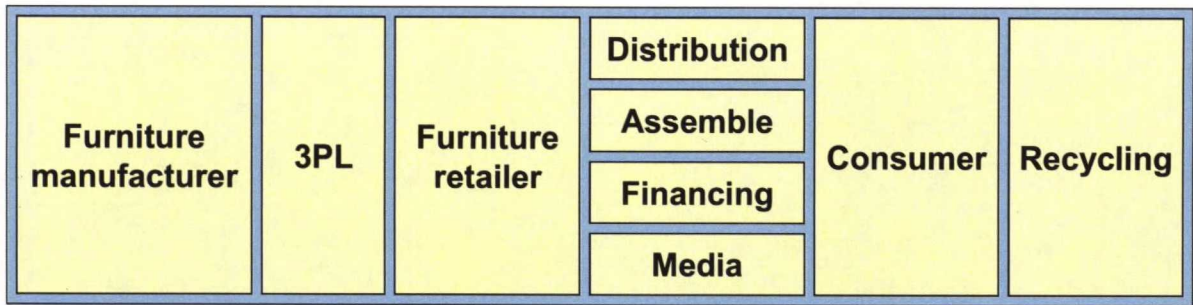
Other large retailers include Stemma, Suomi-Soffa and Isku. The first two have market share of 4.9 % and 4.7 % respectively (Forma, 2007). The latter has no market share estimation from year 2006, but in 2005 the market share has been 6.7 % of the Finnish furniture markets. Stemma is hardly positioned retailer chain created by independent companies with full furniture product portfolio. Suomi-Soffa is a retailer with focus on sofas and domestic manufacturing. Isku has a focus on moderately priced quality furniture and is seen among customers' very similar to Asko described earlier.

4.2 Changes in the Finnish furniture retailing markets

The biggest change in the Finnish furniture retailing markets has been IKEA's expansion to the markets in 1996, when the company opened its first Finnish store in Espoo (IKEA, 2007). IKEA gained market share right away and reached market share of 4.7 % in 2002. Therefore company was encouraged to open another store in the Helsinki metropolitan area. 2003 new IKEA store was opened in Vantaa. Attributable to the opening of the store the market share increased from 4.7 % in 2002 to 9.9 % in 2004 (Forma Ry, 2007).

4.3 The institutions

The institution structure in the Finnish furniture retailing is rather simple and presented in Picture 11. The first institution on the left is furniture manufacturers that produce the actual furniture. At least in Finland there are no wholesalers, but the retailers buy the furniture straight from the manufacturers. The next in the chain we have a 3PL company that takes care of the transportation of the products from the manufacturer to the retailer. The 3PL company may also take care of the whole material flow in the rare case of web shops.



Picture 11: The institutions in the Finnish furniture retailing

The retailer uses services of other companies in five processes when serving the customer. The first is the transportation company that distributes the furniture for the consumers, if the customer buys the service. All the largest companies excluding Vepsäläinen tell at their home pages that a separate company offers this service.

The second additional service is the assemble of the purchased furniture, that is at least for Sotka, Asko and Isku offered by the same company that offers the transportation service (Isku & Kuljetus Hakonen, 2007). The transportation staff assembles the furniture when they deliver the product to customers home.

Financing is like in all retailing taken partially care of by financials. Luottokunta and the banks offer the debit card and credit card settlement services. In additional service the financials offer branded credit cards for the customers of the furniture retailers that include the feature of extended credit in case of campaigns by the retailers.

The furniture retailers use the media companies obviously for persuasion. The catalog is still very important media for the furniture retailers. For example the Indoor Group's latest public Annual Report from the year 2003 mentions the catalogs to be the most important media for Asko and Sotka (Indoor Group Annual Report 2003). The catalogs are made using external marketing agency and the actual printing is done by printing company (Kemppi, 2007). The pictures of the products for the catalogs as also for Internet are generally shot by the product manufacturer. For other media like TV and newspapers the furniture retailers naturally use the media companies offering these services. The newspaper ads are done also by external marketing agency (Kemppi, 2007). Specified commercial production companies do the TV spots. Persuasion in the Internet is also used in Finnish furniture retailing. At least Kodin Ykkönen promotes its web shop via MSN. The company has banners in Windows Live Messenger and MSN Internet pages.

The retailers also offer their customers recycling service that is produced by external company. At least Finnish Lassila & Tikanoja offers services for furniture retailers. (Vepsäläinen, 2007)

4.4 The differentiation

The aggregate differentiation of the furniture retailing to home furnishing and office furniture is similar globally and also in Finland. There are companies that serve both customers, but at least in the Finnish markets the office furniture customers are served through separate organizations from the home furnishing. An example of this could be Isku that has Isku Interior serving their office furniture customers (Isku, 2007). There are companies like Sotka and Masku that do not serve office furniture customers at all and companies like Martela and EFG that serve only office furniture purchasers. In Finnish markets only IKEA serves consumers and business customers through the same channel whatever they are buying. The main reasons for the differentiation can be considered to be the need for services and different volumes.

The furniture retailers in Finland have also differentiated by the products offered. The largest companies like Sotka, Asko and Masku offer the full product portfolio of home furniture. However there are companies like Suomi-Soffa with 4.7 % market share (Forma, 2007) that focuses on sofas though has also some other products in their portfolio (Suomi-Soffa, 2007). Also there are at least two retailers in the Finnish markets – Danish Jysk and Finnish Unikulma – that have focus on beds and mattresses (Jysk & Unikulma, 2007). The first sells also other products, but the latter sells only products to bedroom.

The kitchen furniture is another product type that has been sold through separate channels. The large furniture retailers sell only tables, chairs and showcases, but no cupboards or sinks. There is only IKEA that has all items for kitchen in its portfolio including also the appliances by Whirlpool (IKEA, 2007). Isku sells kitchens through its Isku Keittiöt (Isku Kitchens) subsidiary that offers its services in some Isku stores (Isku Keittiöt, 2007). In addition to these two mentioned there are several companies like Puustelli and Novart through its several brands like A la Carte, Netto Keittiöt and Parma Keittiöt (Novart, 2007) that sell and manufacture kitchens. The reason for kitchens being separated from the traditional furniture retailers' product variety is the fact that kitchens usually need to be custom made, customers need extensively help in the designing process and kitchen is usually installed by the retailer. Therefore the service strategy is whole different, as the retailer has to be able to offer design services, flexibility in the manufacturing and high amount of resources in the installing process.

Another differentiation comes between the target customers. This seems pretty obvious in any business – the companies have to differentiate their products and services to be able to compete and find their own sweet spot. However in Finnish furniture retailing there is a lot of companies that have no clear differentiation or try to be the price leaders without competence. The large retailers Jysk, Masku and Sotka are obviously looking for price leadership. Still there is IKEA in the markets that make it impossible for the retailers to reach the cheapest prices. Retailers Asko and Isku have an image of selling more high quality products, but still such that are available for all middle-class consumers. Then there are also high end retailers Vepsäläinen and Skanno that serve the premium customers. The first is still a chain operating throughout Finland, but latter is a one-store retailer in Helsinki. These two companies are emphasizing the style above everything else. From the largest retailers Stemma has no recognizable differentiation. The company is looking for all customers with money and will to buy furniture.

4.5 Margin management

The margin per customer management in Finnish furniture retailing is done in traditional way. Retailers like Sotka, Jysk, Masku, Stemma, Asko and Isku are more or less forgetting the lifetime value of the customers and just focus on getting the most out of the customer when she steps in the store. Sure Indoor Group owned retailers Sotka, Asko and Kodin Ykkönen have the loyal customer system of Kesko, but that is not really being utilized to maximize the lifetime value, though partially attributable to Finnish legislation on use of customer information.

The only company that recognizably pays attention to share of wallet and lifetime value is IKEA. It maximizes its share of customer's wallet in several ways. First IKEA's products are made to be cheap, which makes it possible for more people to buy them and makes it possible for the customer to buy more. So they are looking for higher sales with lower margins. Secondly the product portfolio is wide making it possible for the customer to get all furniture products from the same place. This means that whatever customer comes to get from IKEA she can at the same time look for any other products that she may need when furnishing her home. This fact has taken into account in the IKEA stores by making the customer to walk through the whole store before finding her way to the checkout. This way IKEA increases the amount of money spent in the IKEA stores.

4.6 Persuasion and dealing channels

The advertising and dealing channel choices between the Finnish furniture retailers are very similar and have been stagnant for decades. The brick-and-mortar stores are by far the most common way to buy furniture in Finland. Only two of the major Finnish furniture companies - IKEA and Kodin Ykkönen – offer the possibility to buy products from the Internet.

4.6.1 Persuasion

The persuasion is done primarily through traditional catalogs, newspapers and magazines. In addition companies promote their products in TV and Internet. Persuasion is mainly targeted to all potential furniture buyers and is used to inform the customers about the latest products and offers. Especially the biggest companies like Masku, Sotka, Askö and Stemma do not really have any brand building, but mainly discounts on their advertisements. Persuasion channel choices presented in Table 2.

Promotion channel choices						
	Newspapers		Products in the Internet		Interior design	
	TV	Catalog	Web shop			
Askö	Yes	Yes	Yes	Yes	No	Yes
Sotka	Yes	Yes	Yes	Yes	No	No
Masku	Yes	Yes	Yes	Yes	No	No
IKEA	Yes	Yes	Yes	Yes	Yes	For kitchens
Vepsäläinen	Yes	Yes	Yes	Yes	No	Yes
Stemma	No	Yes	Yes	Yes	No	N/A
Suomi-Soffa	Yes	Yes	Yes	No	No	No
Jysk	Yes	Yes	Yes	No	No	No
Kodin Ykkönen	Yes	Yes	Yes	Yes	Yes	Yes
Isku	Yes	Yes	Yes	Yes	No	Yes

Table 2: Persuasion channel choices and use of web shop by the Finnish furniture retailers

Catalog is usually distributed to households and includes selected items from the retailer's product portfolio. Companies like Sotka and Masku that emphasizes the price usually have the catalog to disclose the discounts. On the other hand companies like Isku that emphasizes more on

quality try to support their image as a quality furniture retailer, by having the catalog promoting the new products.

TV is used the most by companies that focus on price leadership, like Masku and Sotka. These companies use the time on TV to promote their discounts and this way pull the customer traffic to their stores. However, at least Vepsäläinen supports its brand with TV commercials.

At least Vepsäläinen, Asko, Kodin Ykkönen and Isku do have an interior designer service available in their stores. The service is free if the purchase done by the plan of the interior decorator is high enough. The service is available only in the brick-and-mortar stores. Also the other companies offer help for designing by the sales personnel as part of their in-store persuasion.

Internet is used to present the product portfolio. Internet is generally not used actively for promoting the retailers, but Internet is just for customers who happen to look for the information from the Internet, are looking for specific product or getting idea of the product portfolio. Kodin Ykkönen uses Internet also for promotion in form of having banners in other sites, to promote its web shop. The company has its banners on Microsoft Live Messenger and MSN portal.

4.6.2 Dealing

Finnish furniture retailers have three ways of dealing in their repertoire – face-to-face in the store, mail/phone and web shop. The first is the most common way and the only way to close the deal for Masku, Suomi-Soffa, Asko, Sotka, Vepsäläinen, Stemma, Isku and Jysk. Mail/phone ordering possibility is offered by IKEA. The same company promotes part of its products in the catalog that is distributed to households. These products are to be dealt via mail, phone, fax or e-mail. In addition IKEA has web shop available for dealing. Kodin Ykkönen is the only Finnish brick-and-mortar retailer that offers web shop possibility for the consumers

4.6.3 Use of the Internet

All major furniture retailers in the Finnish markets do have home pages in the Internet. However companies are using Internet mainly to support the sales in their brick-and-mortar stores, not trying to create new business. There is only two large companies IKEA and Kodin Ykkönen that sell their furniture through the Internet, and both are uncommon in Finnish furniture retailing. The first is the world's biggest furniture retailer (Datamonitor, 2007) that has just expanded its web shop to Finnish markets. There has not been big gap for IKEA to turn its important catalog shopping to Internet. The latter one sells variety of products online and furniture is just one part of it.

In addition to IKEA and Kodin Ykkönen there are at least two Finnish companies that operate on the Internet. On24 is a company that operates only in the Internet. The product portfolio includes all the major furniture products. On24 focuses to promote its service by low prices, though the site is build to give an idea of quality. The products can be paid either when the deal is done via Internet banking or when the products are delivered in cash or debit card. Delivery is priced equally to the whole Finland. The customer can in 14 days return the good without costs. The products are not delivered outside Finland as standard service. (On24, 2007)

Kalustekauppa.com is another company offering furniture for the Finnish web shoppers. The company operates in addition to the web shop via brick-and-mortar store in central Finland. Kalustekauppa.com does not have possibility to settle the payment in the internet. The only way for customer to pay the products is by paying an invoice received from the seller. The products need to be paid before the company starts delivering the goods. (Kalustekauppa.com, 2007)

The most common way for Finnish furniture retailers to operate in the Internet is to have product portfolio at least partially available in the web pages. There is generally name of the product, measures and picture available. The web pages also include some basic information about the services the company offers, like transportation and financing. Any additional information or service requests have to be done directly to the brick and mortar stores.

Sotka and Asko that are part of Kesko, have application on their web pages that is preliminary version of the furniture web fitting service. They have shelves and sofas that are made out of modules. Customer can combine the modules, see the adjusted price, gets the dimensions and in case of shelves can see two dimension picture of the ready shelf. Still there is only for Sotka one sofa and three shelves and for Asko two sofas modeled in the application. In addition there is no possibility to fit the product to environment or see realistic picture of the product. (Sotka, Asko, 2007)

4.7 Financing and production channels

The services offered are very similar between the furniture retailers. They include home delivery, van rental, credit facilities and assemble service. All the biggest retailers generally offer these services.

4.7.1 Financing

The financing has the basic options in all major chains – cash, debit card, all major credit cards and branded credit cards for the retailers' customers. The credit facilities are part of service repertoire of all the large furniture retailers. The service is offered by financials like Aktiiviraha by Handelsbanken that sells the branded credit card for the furniture retailers' customers like Stemma. The branded credit card has the same features as normal credit cards – on average one month of time to pay and credit facility if the payment is to be postponed. In addition they have the feature of retailers being able to offer increased credit for their customers using the special credit card (Handelsbanken, 2007). These branded credit cards can be considered cross-selling as the card can be used in all the stores that take the specific world wide card type like Visa or MasterCard (Handelsbanken, 2007). Also Kesko is cross-selling its K-plussa MasterCard to its furniture customers of Asko, Sotka and Kodin Ykkönen (Asko, Sotka, Kodin Ykkönen, 2007). In addition of being a credit facility the card works as a loyal customer card.

4.7.2 Production: delivery and assemble

The delivery service is excluding Vepsäläinen generally operated by a transportation company. For example Kuljetus Hakonen delivers the furniture of Sotka and Asko (Kuljetus Hakonen, 2007). Itella delivers the furniture of Isku (Isku, 2007). The companies also offer the assembly service for the products delivered (Isku & Kuljetus Hakonen, 2007).

Service repertoire of the companies				
	Home delivery	Assemble	Van Rental	Recycling
Asko	3P	3P	Yes	No
Sotka	3P	3P	Yes	No
Masku	Yes	Yes	No	No
IKEA	3P	Yes	3P	No
Vepsäläinen	Yes	Yes	No	3P
Stemma	N/A	N/A	N/A	N/A
Suomi-Soffa	N/A	N/A	N/A	No
Jysk	Yes	No	No	No
Kodin Ykkönen	3P	3P	No	No
Isku	3P	3P	Yes	Yes

Table 3: Production service choices of the Finnish furniture retailing companies

Itella and Kuljetus Hakonen both have been investing in their furniture retailing delivery business. Also Muuttopalvelu Niemi Oy is investing on furniture delivery services, but on the corporate customers (Muuttopalvelu Niemi, 2007). Muuttopalvelu Niemi delivers and assembles the furniture of Isku Interior, the company serving the corporate customers of Isku (Isku Interior, 2007).

4.7.3 Production: other services

Isku offers in-store a service where furniture can be chosen with any possible cloth and the personnel will with 3-D computer program give the picture of the piece of furniture. The service includes also the same with shelves. The personnel can design the desired combinations of the certain shelf models that are in the product portfolio. (Isku, 2007)

For Vepsäläinen and Isku there is a service provider to collect and recycle the old furniture of the customers. For Vepsäläinen the service is provided by Lassila & Tikanoja (Vepsäläinen, 2007) and for Isku the service provider is Itella, but it does not specify the actual recycling company (Isku, 2007).

4.8 Consumer opinion

For the research to get the consumer opinion there has been conducted a survey via phone, e-mail and face-to-face contact. The sample included two persons, who had recently furnished a whole house with new furniture, three persons, who had recently bought some furniture and two persons, who were planning to buy some new furniture in the near future. The main goals of the survey was to find out how consumers look for information about the furniture, what they think about the services and how they feel about web shops. There was no considerable difference between the sample groups. There may be slight bias in the survey due to two facts – six out of seven consumers had or were working on academic degree and they all lived in the Helsinki metropolitan area.

4.8.1 Search of the information

Five out of seven interviewees used Internet as the primary source when looking for information to buy new furniture, but all seven used Internet as information source. For two of the interviewees Internet were the only source to have influence on the choice of the retailer, which both were buying smaller amount of furniture. Other important source (5/7 consumers) was main newspapers. Six out of seven consumers used the catalogs as additional information, but they were actively followed and had influence on store decision for only two consumers. Interviewees considered TV commercials not to have influence to the decision where to buy the furniture. Generally consumers who were furnishing the whole house followed the promotion, but finally the decisions were done after going through several stores that seemed potential. So no certain retailer or its interior designer was used solely.

4.8.2 Criterion and services

All seven consumers considered close location to be important factor when choosing the furniture retailer. Also it was considered as a good thing that the stores were close, which made it easy to go to several stores in short time and compare the products. It was generally not considered as a benefit if the stores would have been downtown, as one consumer considered that to be good idea. One consumer thought a big shopping mall where grocery shopping was done, to be a

good place to buy furniture. Economical position had strong influence on emphasizing of the price. Students in general considered price to have influence, but people in better economic position did not mention price at all. They emphasized the easiness of the purchasing process and wide product portfolio. The image of the retailer was mentioned by most of the consumers to have influence in at least some degree and two considered image to be important factor when choosing the furniture retailer.

Delivery service was considered important by three out of seven consumers and as many thought the assemble service to be important. In both groups were people who considered the prices of these services to be bit too high and they would have used the services more if they were cheaper.

Two consumers spoke about problems with personnel when asked about what there is to do better by the furniture retailers. Other one considered long waiting time of the free sales person to be frustrating problem and other told the sale persons lack of motivation and service level to make visiting furniture stores unpleasant. Things that were mentioned once spontaneously were a possibility to customize the furniture and easier interior design services.

When asked about the criterion on the furniture the fit to old furniture was mentioned the most often. After that came style and looks. Also ergonomics were mentioned in case of sofas and beds. When asked if consumers found what they were looking for three out of seven told that they do find, three others told that they usually do find, but it requires substantial effort (both full house furnishers) and one told that it is impossible to find for example the exact colors.

4.8.3 Internet and furniture

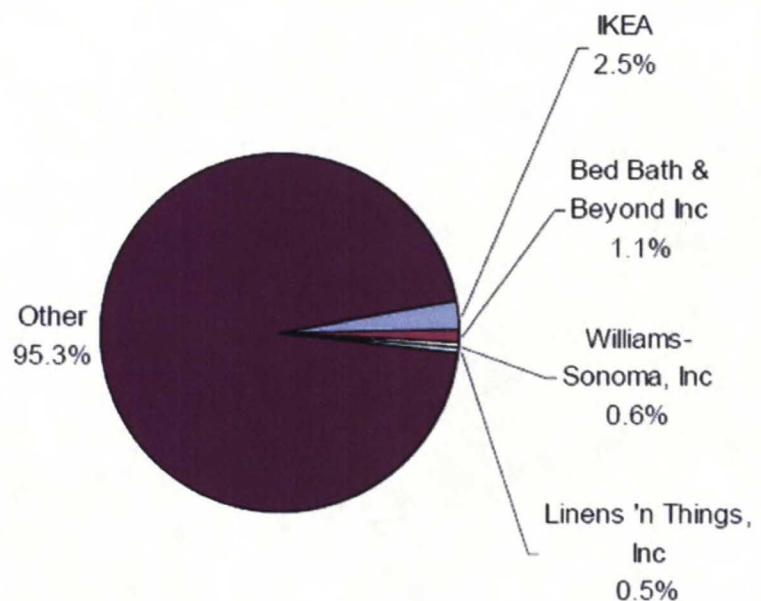
None of the seven consumers had ever bought furniture from the Internet, but all seven consumers had bought something from a web shop. The most common purchased products were CDs, DVDs and books, but included also clothes, sports equipment and glasses. When asked, if consumer was willing to buy furniture from the Internet four out of seven said that they were not. Three of these said that they want to see the actual item before purchasing decision. Three of the consumers said that they would be willing to buy furniture, assuming that web shop would give comprehensive picture of the product. When asked why consumers use web shops on the products they do, the most common answer was easiness and price. Also was mentioned twice that wide product portfolio was web shops' advantage.

4.8.4 Furniture retailing industry's image

On open question about the furniture retailer's image the answers were varying. On average the answer was indicating that there really is no opinion about the business. The old sleazy salesmen image was indicated in some of the answers, but only two mentioned it explicitly. Also it was mentioned that the business has got rid of this image. Other things mentioned were that IKEA as such has bad image offering bad quality, which had influenced the whole business.

4.9 The world's leading furniture retailers and their service strategies

In this section the paper is to give a short introduction to the service strategies of the world's leading furniture retailers to give an idea how things are done elsewhere. Globally the furniture retailing markets are very fragmented (Picture 12). The world's largest furniture retailer according to several sources is Swedish IKEA that is in many ways very exceptional and successful (for example Datamonitor, 2007). The



Picture 12: The global furnishing market shared (source: Datamonitor)

world's second largest furniture retailer is American Bed Bath & Beyond and third largest Williams-Sonoma Inc, with its several retail chains (Datamonitor, 2007). IKEA is one of the only truly international furniture retailers, so there really is no global furniture retailing markets. Most of the large companies are operating only nationally or in certain limited geographically area.

4.9.1 IKEA

IKEA is an exception among furniture retailers also in addition of being the only global furniture retailer. The company does not only distribute furniture, but it also manages the whole supply chain. One of its strengths is design of the furniture that takes into account the whole supply chain. The products are designed keeping in mind the cost efficiency and logistics. The products

are delivered always to customers in pieces and they need to be assembled by the customer. This saves costs compared to traditional furniture retailing chain in transportation, need of warehouse space and labor costs as the products do not need to be assembled by the IKEA staff. Also the company has huge volumes as it is the world leader and that added to well organized and managed vendor network makes it possible for IKEA to have price leadership that has no true competitors.

From customer point of view IKEA is above others cost efficient choice. Also the company markets itself as high Nordic design company for everyday use (IKEA, 2007). The product portfolio is also very wide including kitchenware, home furniture, office furniture, bathroom accessories, lights, cloths and other interior products. As mention earlier IKEA serves its customers through its brick-and-mortar stores, web shop and mail/phone/fax/e-mail when customers buy the products from the catalog. The brick-and-mortar stores are usually very large (on average between 10 000 and 40 000 m²), outside city centers and the real estate is build only for IKEA, keeping its concept in mind.

Persuasion

The most important form of persuasion for IKEA is its well known catalog that is distributed to households in wide sphere of influence of IKEA stores. IKEA supports its promotion with commercials in other traditional media like TV and newspapers. The Internet pages of IKEA include also wide proportion of the product portfolio where the products can be searched through or bought online. The pages include on average several pictures of each product and extensive information about the details like dimensions, materials, washing instructions and features. One important part of the promotion happens inside the IKEA stores. The wide product portfolio makes it possible for IKEA to increase the average purchase amount by promoting the cheap seasonal and basic products on aisles where the biggest traffic is directed through.

An additional persuasion and interior design service offered by IKEA is an application that makes it able for customer to virtually design her kitchen, office and bedroom. The application is to be downloaded from the Internet and the file size is such that with modern telecommunications it takes only few seconds. The application allows customer to form own room and add the existing furniture to the blue prints. The customer can pick up the IKEA products from the product portfolio and design her room. After the blue prints are ready the customer can see a 3D image of the room that can be looked from all angles. If customer is satisfied she gets a list of the products including prices. Then she has to only go to the IKEA store to pick the products up. The

application allows you also to save the designed room to an IKEA server that makes it able for the customer to continue the designing process in the store with sales persons help.

Financing

IKEA offers the same basic payment vehicles in Finland as other furniture retailers – cash, debit card, credit cards and tailored credit facilities (IKEA, 2007). In the web shop IKEA offers the possibility to pay through Internet banking. The tailored credit facilities are produced by Ikano that is part of IKEA Group (Ikano, 2007). The facilities differ between countries, but in Finland there are three kinds of services offered. Hei-card is a loyal customer card that includes credit facility and extended interest-free payment time (IKEA, 2007). For kitchen renovators IKEA offers a special debt with flexible terms (IKEA, 2007). Business customers can get a special card that allows for example the customer to get an invoice of the purchases to be paid later and free interior design service (IKEA, 2007).

Dealing

As mentioned earlier the dealing in IKEA is performed through face-to-face contact in the stores, where the dealing works in the same way as in the grocery stores. Customers go through the IKEA store and finally come to the cashiers where the bar codes of the products are read and the standing amount settled. The process is automated making it possible to have short lead times even in case of high amount of goods per customer, that is the case in average IKEA customer. When using the catalog customer can choose to order the products via phone, mail, fax or e-mail. In addition the customer can choose to buy the products from the web shop. The catalog and web shop does not include the whole product portfolio of IKEA.

Production

The actual production of the retailing service is produced very differently than in an average Finnish furniture store. Customers have to walk through the exhibitions where the products are set (or actually does not have to, but the short cuts are well hidden). Small products like pillows, kitchenware, light bulbs, etc. are picked up by the customers to shopping carts like in a supermarket. As mentioned above the products are set so that the cheap seasonal products are put on the aisles to increase the amount of impulse purchases. Large products like sofas, cupboards and beds are either picked up from the warehouse-like shelves before the cashiers or they are to be picked up later if they do not exist in the stock. For example leather sofas in Finland are products that are always to be delivered only for customer's request (IKEA, 2007). The store includes

only a very few sales personnel compared to the huge amount of customers. That is because the customers are taught and given the tools to manage themselves in the store.

How small the product might be that is bought from IKEA, it usually needs to be assembled at home by the customer. IKEA offers an assemble service that at least in Finland is offered by external company (IKEA, 2007).

IKEA offers also a delivery service and van rental. Delivery service is offered by external transportation company, but the company does not offer the assemble service. IKEA customers can rent a car at the IKEA store from an external company that offers car rental services. A third option for transportation without own car is service where the van is brought to customer's home, the customer goes to IKEA with it and the van is picked up after that. External company in co-operation with IKEA offers the service. (IKEA, 2007)

4.9.2 Bed Bath & Beyond

Bed Bath & Beyond is an American retailer that includes furniture and home improvement products in its product portfolio. The portfolio does not include many larger items like sofas, beds or kitchen tables. The main items are kitchenware, kitchen apparel and bedroom cloths. The company operates only in the US with its 888 stores and web shop, though looking for store opening in Toronto (Bed Bath & Beyond, Annual Report 2006). An average Bed Bath & Beyond store is sized between 6 000 m² and 15 000 m² some exceeding 24 000 m². So the shops are rather small compared to giants like IKEA and quick to visit. (Bed Bath & Beyond, 2007)

The competence of Bed Bath and Beyond is pretty much cheap prices. The company uses extensively catalogs and newspaper advertisements in its promotion and the discount coupons of Bed Bath & Beyond are well known among students. The company is a competitor of IKEA, but the average customer is looking different things from these two. IKEA is more for furniture or kitchenware and Bed Bath & Beyond for bed, bath and kitchen apparel. Also the latter is considered among the consumers to have bit higher quality standards than the first. (Horsley, 2007)

In general service level and willing to serve are important part of Bed Bath & Beyond's service strategy (Horsley, 2007). Even though the products are cheap, the company puts effort on fulfilling its promises.

Bed Bath & Beyond sells its products via its web shop, but the products are to be delivered only in the US. The web shop includes only one picture per product and the information is in some products lacking even the dimensions. The web pages include also bridal and gift registry that

was considered as an important service by the consumer interviewed (Horsley, 2007). The service includes gift registry services for college students, retirement and any celebration (Bed Bath & Beyond, 2007). The service is basic as such. The person receiving creates a list behind a password and guests/donators can buy the products and they are then taken out from the list (Bed Bath & Beyond, 2007).

The company considers college students as important target group. Bed Bath & Beyond's product portfolio fits perfectly to college students needs as they offer everything besides the bed and bookshelf that are included in the dorms for college students. Therefore the company offers a service where students can buy their products from the web shop and the products are delivered to their school. Also the company has, tips for dorm decoration, a several ready decorated sample dorm rooms where a customer can look for ideas and find the products in a ready order form. Internet pages also have a store locator that tells you the closest Bed Bath & Beyond store and driving directions, not from your home, but from your college. (Bed Bath & Beyond, 2007)

4.9.3 Williams-Sonoma Inc.

Williams-Sonoma Inc. is a US based furniture retailer that operates through brands Williams-Sonoma (kitchen), Pottery Barn (furniture), Pottery Barn Kids (children's furniture), PB Teen (teen's furniture), Williams-Sonoma Home (traditional furniture) and West Elm (modern furniture). The company emphasizes quality in all of these brands, which means also higher prices. However the products are available for middle-class consumers. The company claims that its brands' product portfolio includes every room in a house. (Williams-Sonoma Inc., 2007)

Williams-Sonoma Inc operates through brick-and-mortar stores, catalog and web shop. All brands excluding PB Teens, has its stores throughout US and some also in Canada. The stores are located on average to malls or close to downtown in area with box-stores that are easily accessible by car. Catalogs are available for all of the Williams-Sonoma Inc. brands and they play important role in promoting the new products. (Williams-Sonoma, Pottery Barn, Pottery Barn Kids, PB Teens, Williams-Sonoma Home, West Elm, 2007)

Every brand has its own web shop in the Internet. The web shops include products from all main product groups available in brick-and-mortar stores. There is on average one picture of each product and color option. The information about the products is comprehensive including dimensions and information on maintenance. The furniture and furnishing items also include a picture of the products in an actual exhibition room. When searching through the products in the web shops there are always additional products that the company suggests to be a good match with

the product being observed. (Williams-Sonoma, Pottery Barn, Pottery Barn Kids, PB Teens, Williams-Sonoma Home, West Elm, 2007)

The products are delivered throughout US in standard order by UPS (5-7 days) or rush order (2 days) and delivery fee increases with purchase amount. The return policy includes full refunding of the products in 30 days after purchase. The transportation costs are not refunded. The products are to be assembled by customer, though not from such small pieces as in IKEA for example. For some furniture like sofas Williams-Sonoma Home, West Elm and Pottery Barn has as a standard service home delivery, assemble and package recycling that is called "White Glove ground service". For the rest of the products there is no assemble service offered in the Internet. (Williams-Sonoma, Pottery Barn, Pottery Barn Kids, PB Teens, Williams-Sonoma Home, West Elm, 2007)

Williams-Sonoma Inc. offers a special membership for its business customers like interior designers. The business customers get a constant percentage discount, consultancy help, seasonal product reviews and invitations to special store events. The company also offers designing services for a new home furnishing. (Williams-Sonoma Inc., 2007)

For business customers Williams-Sonoma Inc has business gift services. The company sells gift cards to be used in brick-and-mortar store, via catalog and web shop. Williams-Sonoma Inc. also offers a service for companies that are willing to give the actual products as business gifts. The products can be branded with customer's own brand. (Williams-Sonoma Inc., 2007)

5 Analysis

The analysis part starts by presenting and classifying the five companies from the sample group. Then the companies' customer service channels are analyzed by using the framework presented in the framework section and the results are briefly commented. The next part is to analyze the sample group companies as a whole using the five service classification methods presented in the theory section and the results are briefly commented. At the end of analysis of the whole companies there is a comparison between these two approaches.

5.1 Companies in the sample group

The companies picked up from the Finnish furniture retailing markets are classified with two parameters – price image and product portfolio. The product image is the price level that the company has positioned to consumers minds. The separation is done to three groups A, B and C, A having the lowest price image. Product portfolio is divided correspondingly to three groups A, B and C. A means narrow product portfolio, like only beds and sofas, B means average portfolio including all normal furniture and C means wide product portfolio, that includes all furnishing products. The companies chosen are classified in Table 4.

Company	Price image	Product portfolio
Asko	B	B
Sotka	A	B
IKEA	A	C
Jysk	A	A
Skanno	C	A

Table 4: The analyzed companies' classification in terms of price image and product portfolio

5.1.1 Asko

Asko has an average price image and product portfolio. The company is positioned itself above the discounters like Sotka and Masku, but still having the prices below the premium brands like Skanno. The product portfolio includes the furniture to the whole house, but no other furnishing products are included in the portfolio.

The persuasion channel includes the media like TV, newspaper, catalog and Internet, the sales personnel in the stores and interior designer services in the stores. The emphasis is more on the customized persuasion services offered in the stores. The dealing is operated only in the stores through face-to-face contact as there is no web shop or catalog shopping possibility. The financing channel offers for the customer the basic options – payment in the store with credit card, debit card, cash or standardized credit facilities. In the production & delivery channel the delivery provided in form of customer picking up the product from the warehouse close the store with her own car, home delivery by a transportation company or customer renting a van and transporting the products with it from the warehouse. The additional services include assemble service.

5.1.2 Sotka

Sotka is the cheap version of the two Indoor Group chains. The company has about the same width in its product portfolio as Asko the other Indoor Group chain, but the price level is lower. The customers see Sotka on the markets as the hardest discounter after IKEA, which also affects strongly their quality image.

The persuasion channel has strong emphasis on use of TV commercials compared to the competitors. The persuasion also utilizes newspapers, Internet and catalog which is the primary media for Sotka. In-store persuasion plays smaller role in the persuasion of Sotka due to the fact that the company does not have interior design service available for its customers. The dealing is operated only through the stores with the sales personnel. Financing channel is operated in through the sales personnel using the normal payment methods cash, debit card, credit card or standardized credit facilities. The production & delivery is through the warehouse where the customer has to pick the products from to her car or a van rented from the store or home delivery service. In case of home delivery Sotka offers also assemble service.

5.1.3 IKEA

IKEA is the price leader in Finland meaning price image group A and has the widest product portfolio meaning product portfolio group C. Information about IKEA's customer service channels can be found from chapter 4.9.1.

5.1.4 Jysk

The Danish Jysk is a price discounter focusing on bedroom furniture. This makes the price image group and product portfolio group to be A.

The persuasion channel includes the basic choices: TV, catalog and newspapers. The use of Internet is very limited, as the company does not have the products at its Internet pages. The service personnel do have its share in the persuasion channel, but the interior design service is not available for Jysk customers. The dealing channel is operated through the sales personnel, as there is no web shop or phone ordering for the catalog products. The financing channel includes the basic choices cash, debit card, credit card and standardized credit facilities. The production & delivery channel includes the options to pick the product up from the warehouse or to use the home delivery service.

5.1.5 Skanno

Skanno is the smallest of the sample group companies and at the same time it has the highest price image making its price image group C. The product portfolio of the company is narrow as it concentrates mainly on bedroom and living room furniture, indicating product portfolio group C.

The persuasion of the company in media is operated mainly through the main newspapers and certain magazines fitting their image. In the store Skanno offers customized interior design services in addition to the sales personnel expertise. The dealing channel is operated in the store. Financing channel includes the basic options cash, debit card and credit card. No additional credit facilities are offered. The production & delivery channel includes picking up the product from the store and home delivery service. Also assemble and lighting design services are offered.

5.2 The positioning of the companies as a whole

In this section the five companies are analyzed as a whole using the five service classification models presented in the theory part. The idea is to analyze using all five frameworks the compa-

nies and eventually compare the results on analysis of the companies' customer service channels by Haapanen & Vepsäläinen (2005).

5.2.1 Service classification model by Silvestro et al.

The classification model by Silvestro et al. (1992) is the most complex to implement of the five. First we have to place all the companies on the vertical axis by their people/equipment focus, contact time, customization, discretion, back/front office value added and product/process focus. Then we have to assess the number of customer processed by typical unit per day for each company.

The parameters are defined in Table 5. The definitions of the parameters have had to be done by analyzing the processes operated in the service process as a whole even though they would be very different. From these definitions we have to find a consensus so that we can place the companies on the vertical axis. This is a tricky task as the companies have very different positions on the continuum parameters. IKEA is placed on the low end of the vertical axis as only customer contact time and focus between product and process indicates higher position. Customer contact time is high as the time spent in the facilities (the store) is designed to be higher than in normal stores. The volume indicator of IKEA goes to the very right hand side, as the volumes in the IKEA stores are very high compared to an average furniture retail store. This means that IKEA's final position on the matrix is on the bottom right hand corner.

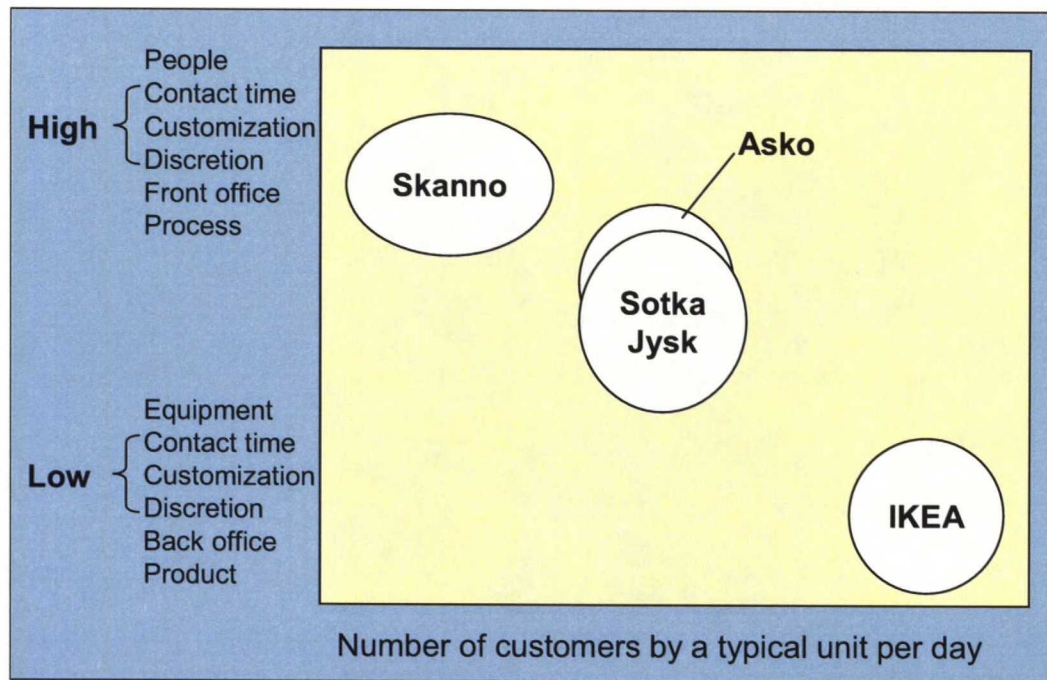
Vertical parameters by Silvestro et al.					
	IKEA	Sotka	Asko	Jysk	Skanno
Focus on equipment/people	Equipment	Mix	Mix	Mix	People
Customer contact time	High	Mid	Mid	Mid	Low
Degree of customization	Low	Mid	Mid	Mid	Mid
Degree of discretion	Low	Mid	Mid	Mid	High
Value added by front/back office	Back	Front	Front	Front	Front
Focus on product/process	Mix	Product	Mix	Product	Mix

Table 5: The parameters on the vertical axis in the service classification model by Silvestro et al. (1992)

Sotka and Jysk are placed equally on both continuums. The vertical axis' parameters indicate positions in the middle of a continuum as only differing from this in terms of value added by front office and focus on product. The volume is somewhat in the middle of volume continuum. This makes the position to be in the very middle of the matrix for Sotka and Jysk.

Asko is placed very close to Sotka and Jysk. The only difference is that they do not have as strong product focus as the two companies. This places Asko slightly above Sotka and Jysk on the vertical axis. The volume can also be considered to be almost equal to Sotka and Jysk.

Skanno is positioned close to the upper left hand corner. The parameters mainly indicate position in the high end of the vertical axis, but low customer contact time, mix between product and process focus and average degree of customization lowers Skanno down on the continuum.



Picture 13: The sample companies placed on the service classification matrix by Silvestro et al. (1992)

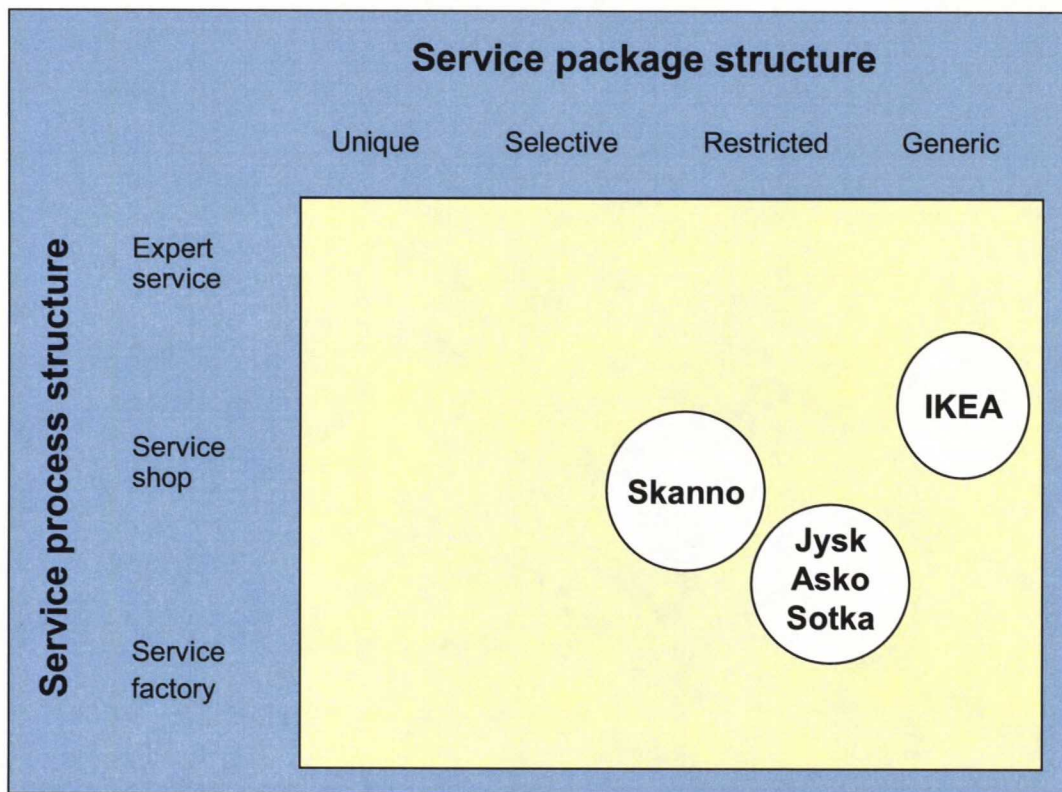
The positioning of the companies gives Picture 13. The formation of the companies in the matrix does indicate their strategies and all the companies are on the diagonal. IKEA is categorized to mass services, Sotka, Jysk and Asko to service shop and Skanno to professional services, which do correlate with their price image and also at some degree with the product portfolio. IKEA with low price image and high product portfolio is on the mass service category. Skanno is called a professional service with its high price image and narrow product portfolio. The rest three companies are placed in the middle with their average/cheap price and average/narrow product portfolio.

The problem of this matrix is that it does not give advice what should be done. All the companies are on diagonal so they should be totally ok. However IKEA is lot more profitable than any of the other companies. Why is that? Is the position in the bottom right hand corner the perfect one that everyone should pursue? Not at least according to the authors. Also if company wants to reposition itself, what should it do? Change all the parameters on the vertical axis? Maybe change some of them? No clear advice for the management is given to the service strategy design, even though the framework is claimed to be normative.

5.2.2 Service process / service package matrix by Kellogg & Nie

The service process / service package matrix by Kellogg & Nie (1995) is more simple classification model. The process structure (vertical axis) is defined in terms of customer being part of the

service process and the service structure (horizontal axis) is defined in terms of customization for each customer. The vertical axis is bit confusing as in case of self service the customer can have big part on the service as also when we are talking about highly customized service process. However the process structure in both is very different, as the first requires high standardization of the processes and the latter high amount of economies of scope.



Picture 14: The sample companies placed on the service classification matrix by Kellogg & Nie (1995)

The described situation is the case for IKEA. On the vertical axis customer has important part of the service production for example as the customer picks the products up by herself in the stores, and also the assembly is left for the customer. However the service process structure is created to be strongly standardized so that the customer is able to do that easily, but the service process structure is between expert service and service shop. The horizontal axis is pretty simple to assess. IKEA's customization level to a customer is very low as the standardization of the service package is very high.

Skanno is placed in the middle of the process structure continuum. This is as the customer does have a part on the service process but she will not perform the actual processes, but only has important part of the persuasion process. The service package structure is positioned between restricted and selective as the only additional services are the company does offer some additional

services like interior designer, lighting planning and curtain fitting. This means slightly more to the left position on the matrix compared to the other companies.

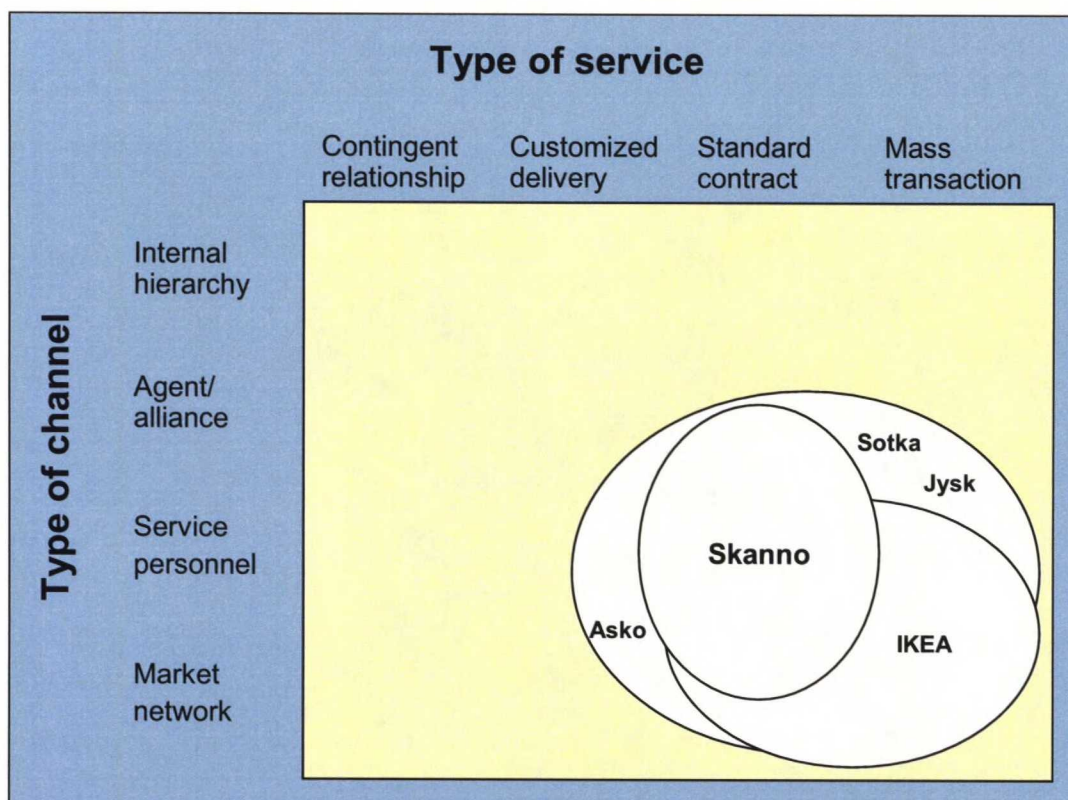
The rest three companies Sotka, Jysk and Asko are placed somewhat identically on the matrix. The service package structure is slightly more restricted than for Skanno as explained above, meaning the horizontal position to be slightly more to the right. The customer's part in the process is also lower than for Skanno as the sales personnel's focus is more on selling than being the interior designer that looks for the best solution for the customer's needs.

The positions of the companies are in some degree expected and corresponding to their strategies. However the IKEA's position would claim that the company would be currently combining something between high expertise and encounter management and economies of scale. The authors claim this to be way out of the efficient diagonal. The rest of the companies are positioned so on the matrix that the authors would call them analyzers, meaning that they are externally oriented looking for new markets and services moderately. In case of retailers this could maybe refer to new product groups. The matrix as we can see from Picture 3 does give the strategic advices also for the four other companies that is to focus on capacity management and encounter management. However in case of Skanno the focus most likely should be to offer more superior service for the customers and not to worry that much about the cost structure.

So overall the advantage of the service process / service package model by Kellogg & Nie (1995) is that it gives clear advices what to focus on. However it includes problems on placing the companies on the matrix properly. That is as customer being part of the service process does not give always a good indication of the service process structure. Also the customization as such is problematic at least for retailing industry companies. The core competence is the persuasion and measuring the customization is difficult due to the fact that it should be measured inside the service process in terms of service encounter customization for the customer needs. This however is extremely variable due to the heterogeneity of the service.

5.2.3 Service process analysis model by Tinnilä & Vepsäläinen

When placing the whole companies on the matrix by Tinnilä & Vepsäläinen (1995) the problem raises that it is very difficult to place a whole company to the framework. This is as there are several processes inside the company that are operated through different channels. This means that the circles are stretched, as they have to indicate utilization of multiple channel types. Also the service type is very different for different functions in the service.



Picture 15: The sample companies placed on the service classification matrix by Tinnilä & Vepsäläinen (1995)

The companies are all placed on the right hand side bottom quadrant. This is due to the fact that they are using service personnel as their main channel type added with some agent/alliance as external companies are providing some of the services and market network, as media is important part in the persuasion, which is the core competence of the furniture retailers. The service type is mainly standard contract as there is in the service structure to choose from but the options are fixed. Only interior design service brings some customization to the service stretching the circles to the left and use of media some mass transaction features stretching the circles correspondingly to the right.

Asko, Sotka and Jysk have the largest circle as they are placed as described above. Skanno has the smallest circle as they mainly operate only using high amount of standard choices. The service channel is mainly service personnel, but includes features from market network due to some persuasion through media and agent/alliance due to third party offering transportation and assembly services.

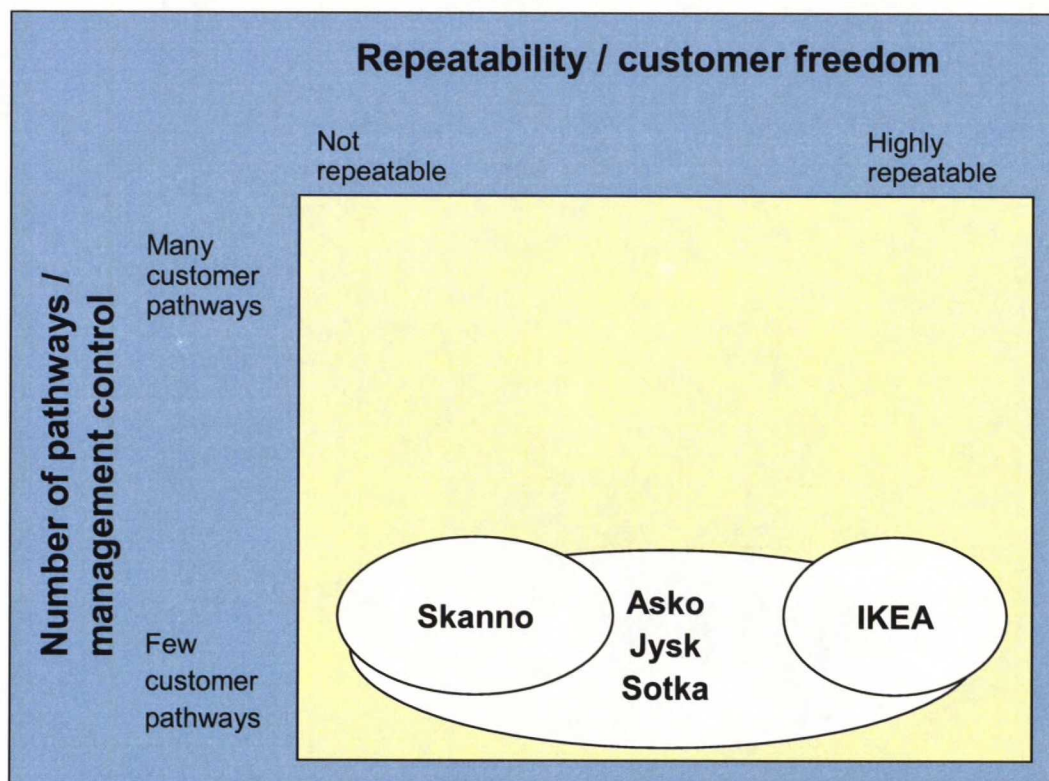
IKEA does not differ much from Asko's, Jysk's and Sotka's position. Only the customer freedom is lower as also the use of external service providers as proportion of the whole service of-

fering. This makes their circle to be smaller and to be positioned more to the bottom right hand corner.

The problem of the framework is that the high amount of service processes is difficult to place in one spot. That is due to high specification of the channel types and service types. This does not allow accurate analysis as the circles have to be stretched to cover all the service and channel types. If we only look at the core of the service and analyze that we end up not getting any advice on what we should do the all other parts of the service.

5.2.4 Service positioning matrix by Collier & Meyer

The service positioning matrix by Collier & Meyer (1998) uses dimensions that are easy to measure but difficult to place on the continuum as there is no simple indication on the scale. The vertical axis is about customer pathways. How should we consider IKEA compared to Skanno as in IKEA you mainly have to literally walk through the same path, but the product portfolio is lot wider and the services themselves like van rental and home delivery services include lot more different possibilities. Also IKEA has the web shop and catalog shopping whereas Skanno does not.



Picture 16: The sample companies placed on the service classification matrix by Collier & Meyer (1998)

On the other hand in Skanno customer can go through the actual facility as she wishes, even though there is only one way to step in the service. Therefore if only the parameter is considered like the authors suppose it, we end up placing the companies equally on the continuum. The number of pathways built into the system is to measure management control and again in the case industry the parameter is not measuring it properly as we can intuitively say that management control in IKEA is definitely considerably higher than in Skanno or any other sample company. Moreover the three other companies are placed almost equally as the companies can choose their way to shop as long as they come to the certain limited facilities. Customer freely chooses the sequence in the facilities. For the delivery the customers do have the three possibilities, which make them not to be in the very bottom of the matrix.

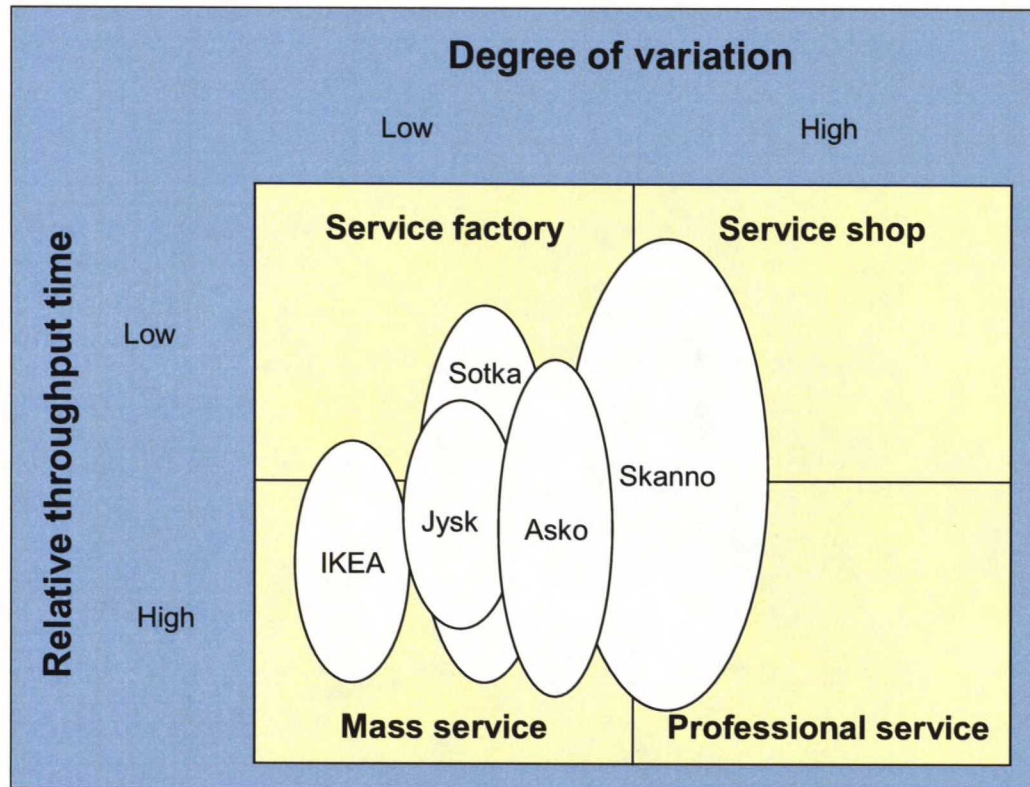
On the horizontal repeatability continuum we also face at some degree the problem of comparison. It is obvious that IKEA's service process is easily repeated and Skanno's service process most likely is less repeatable. However the repeatability of the three companies inside the same circle is more difficult to measure. For example the delivery services most likely are very repeatable whereas the service encounters are way less repeatable. Therefore the circle is stretched almost from side to side horizontally.

The analysis places only IKEA on the diagonal. The IKEA's position makes it provider routed service according to Collier & Meyer (1998). This most likely is very precise result. The company standardizes the service process in high degree. The rest of the companies are out of the diagonal, Skanno being the most out of it. As the companies' circles are so large and position very difficult to define, it is hard to find the correct advice to the companies. The advice by the authors is to try to reposition the service provider either to the upper left hand corner for differentiation or to the bottom right hand corner for standardization and cost control. This means that Skanno should most likely add customization to reposition it higher on the matrix. However increasing the customer pathways and losing the management control will not be the keys for that. By adding services the company can get higher position on the matrix but to improve the service structure all the way up is not done by these actions and needs service re-engineering. For the three companies the framework suggests an increase of standardization to the same position with IKEA.

5.2.5 The revised service classification model by Schmenner

The revised service classification model by Schmenner (2004) has two simple dimensions that are easy to define in case of processes, but not in services as a whole. Degree of variation is sim-

ple measure if we analyze only the home delivery process or persuasion, but when we combine them all as the model suggests we face the problem of having processes that have very different variability. In the Picture 17 the focus has been on trying to find the average degree of variation, which does not take into account that the processes can be very different inside on company.



Picture 17: The sample companies placed on the service classification matrix by Schmenner (2004)

The definition of the relative throughput time compared to industry average is not much easier to define for the whole company. In retailing industry a company may have very varying throughput times. For example in Skanno a customer can only come to see if certain product is in the stock or not which means very short throughput time compared to an average or she can design the interior for the whole house using the interior design service which means very long throughput time. This stretches the circles vertically.

Skanno is, in addition to the relative throughput time continuum described above, positioned itself on the most right on the degree of variation continuum. This is as the customization for a customer can be considered to be higher. Though, no additional services are present in addition to ones offered for example Asko, only the customer encounter is designed to be more variable.

Asko places itself in the middle of the relative throughput time dimension. On average the company has customers that just come to see if a certain kind of product is in the product portfolio or

not and ones that spend hours in the store when designing the whole house. On the degree of variation the company place on average moderately to the left from the mid-point. The variation is lower than for Skanno as the services are more standardized and the service encounter is made less customized for an individual customer.

Sotka has the next position to the left after Asko. This is as the service encounter is more selling than customer service than in Asko or Skanno. Also there is no interior design service available. On the relative throughput time dimension the company is slightly higher than Asko and Skanno as the company's focus is more on selling specific furniture than whole rooms. On the other hand the top end of the Sotka's circle is between Skanno and Asko. That is as there are customers looking for specific discounted products, but there are not strong specific brands that the customers would come to look for like in Skanno.

Jysk is placed much like Sotka but has slightly smaller circle vertically. This is considered to be as the product portfolio includes mainly beds that require higher persuasion process than average furniture, which makes the circle's top end lower. The bottom is higher as the company does not give possibility to furnish the whole house with the product portfolio and there is no interior design service possible for customers.

The service classification model by Schmenner (2004) makes the least sense when trying to analyze whole companies. The approach may be a good idea when analyzing a specific process, but for a whole service it is just impossible to define these parameters. In Picture 17 the circles can be considered to be very different if we emphasize different processes of the service as is done here. The advice of the framework is to move to the upper left hand corner. This would mean for example to IKEA reducing their relative throughput time, which would totally change their exceptionally profitable service strategy. For the rest of the companies there is no clear advice in addition to "do it right". That is as the exact position is so difficult to define and as they have many positions general advice is impossible to be given.

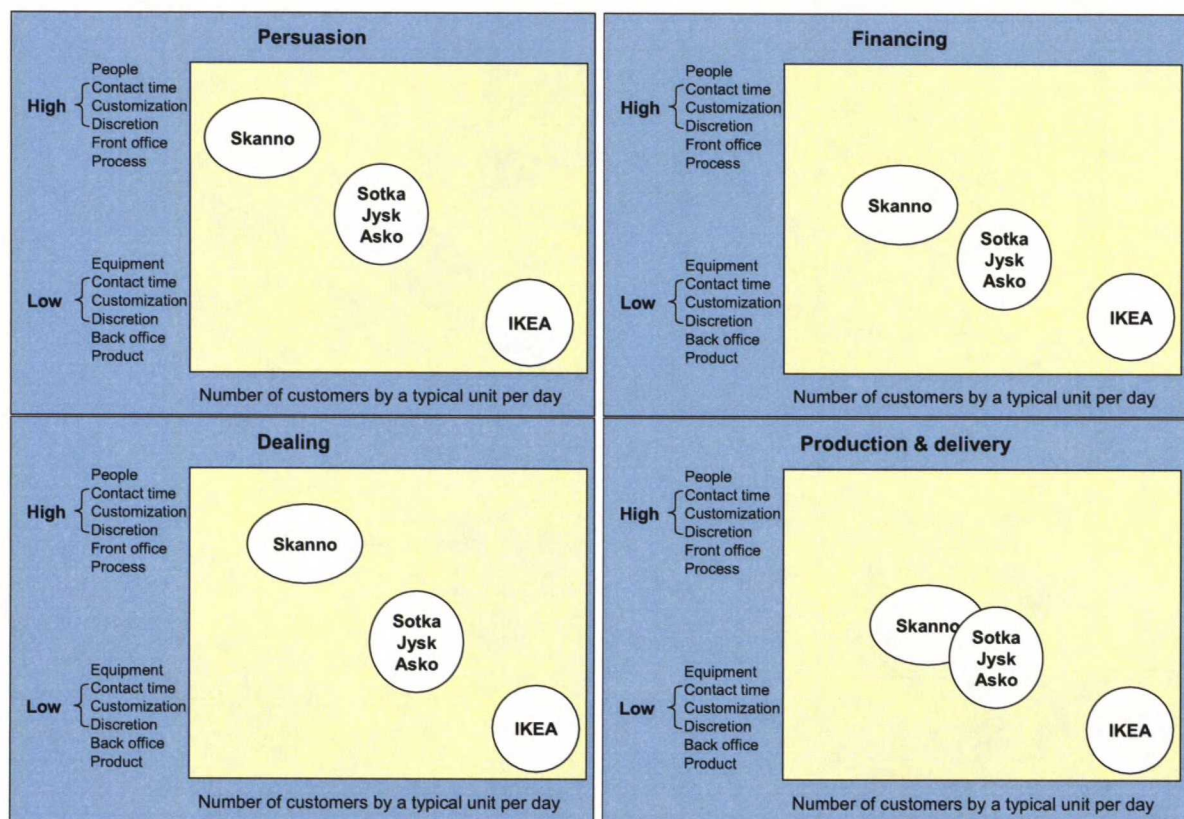
5.3 The positioning by customer service channels

The point of the chapter is to analyze each customer service channel by Haapanen & Vepsäläinen (2005) using the same five service classification frameworks as in chapter 5.2. This way we are able to make the comparison between the created framework and the original service classification frameworks. The comparisons between these two approaches are done after the

analysis of each service classification framework. The analysis process is not described as in the previous part, but it follows the same rationales.

5.3.1 Service classification model by Silvestro et al.

Correspondingly to the analysis of the complete service, the analysis of the separate customer service channels does place the companies to the diagonal according to their price/product portfolio-ratio (Picture 18). Accordingly to the results from the analysis of the whole company, the analysis of the each customer service channels does not give any advice for future actions. Only benefit of using this method is in determining if the customer service channels are in line with each other. From the analysis we can tell that the customer service channels are congruent with each other. The model does not instruct to take any future actions.



Picture 18: The customer service channels analyzed using service classification model by Silvestro et al. (1992)

The comparison

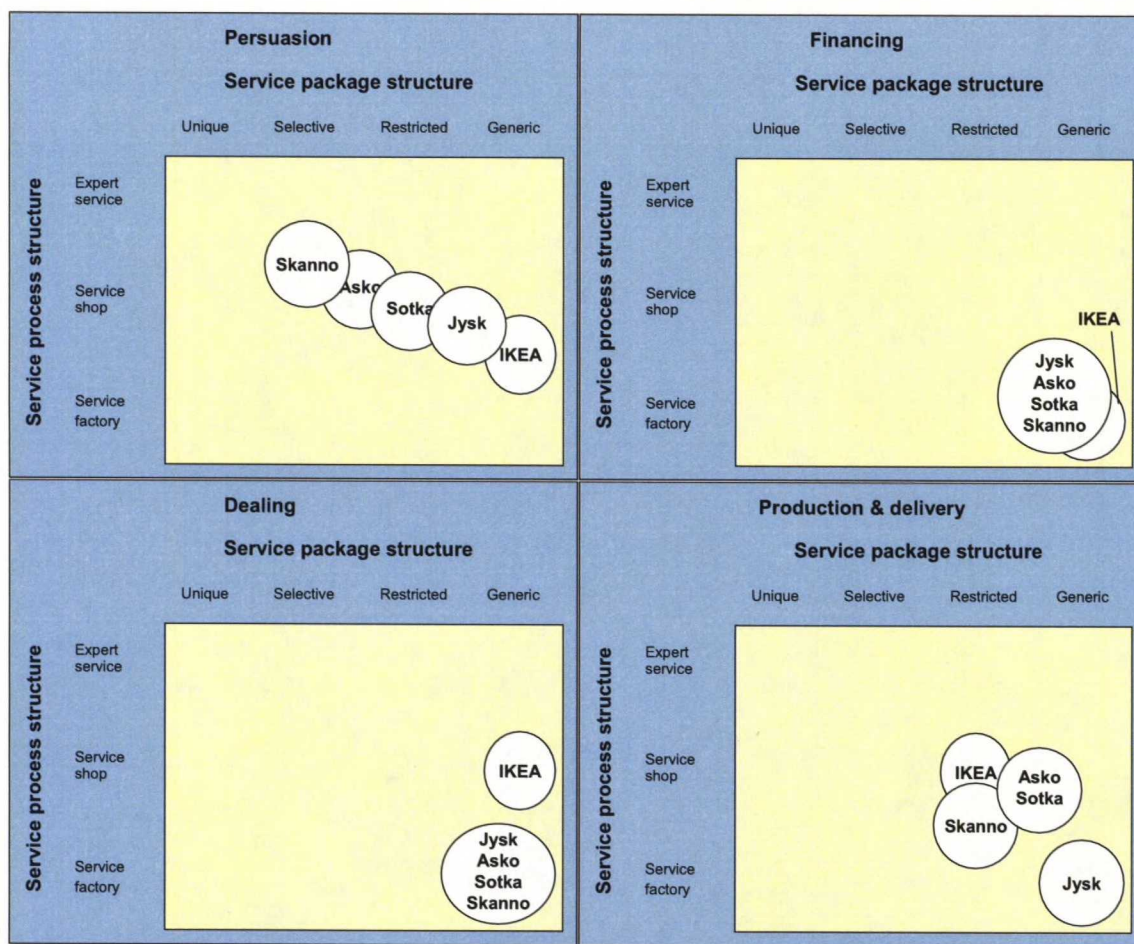
In both ways the service classification model by Silvestro et al. (1992) gives pretty much the same result. Already the analysis of the complete service places the companies on the matrix according to the price image/product portfolio-ratio. This is due to the fact that especially the

vertical axis is very comprehensive as it has several measures and the consensus is taken to place the company on the continuum. Also the horizontal axis seems at least in the Finnish furniture retailing industry to describe the price image/product portfolio-ratio.

However as mentioned already the problem of the framework is that its normativity is limited. There is no clear direction that the companies should pursue - if the company is on the diagonal it operates effectively and that is that. Also in the case of a company not being on the diagonal there is no clear direction for the company to take. The horizontal axis is defined as number of customers by a typical unit per day. It can be done by a change in the standardization of the service process, but also the same goal is reached by a change of the channel used. This means that the goal for the service strategy planners is given but not the guidelines to get there. The vertical axis has even more problems when normative approach is needed. The axis is combined from six parameters, which enables to get pretty comprehensive picture on the correct position in the matrix, but is unable to give an idea what do when the position is to be changed. The parameters are varying and it is not possible always to change them together. On the other hand it may be difficult to determine which parameters we should change and how much. If the company is a bit off the diagonal below the upper left hand corner it is easy to say that change the parameters so that all of them indicate the highest possible position. How this should be done is not indicated, meaning that again the goal exists, but the guidelines are lacking.

5.3.2 Service process / service package matrix by Kellogg & Nie

When looking at the matrix' by Kellogg & Nie (1995) we can see that the persuasion channels are positioned nicely on the diagonal according to the price image/product portfolio-ratio, but all the other channels are positioned to the right bottom quadrant (Picture 19). So according to Kellogg & Nie the core competence is in line with the price image/product portfolio-ratio, but the supporting services are in need of revision.



Picture 19: The customer service channels analyzed using service process / service package matrix by Kellogg & Nie (1995)

The service process / service package matrix does indicate how the services should be produced, but no indication is given on how the company should change its channel positions. The strategic competences to invest in are shown in Table 6. Excluding IKEA's dealing the customer service channels are on the diagonal, meaning that they are operating efficiently. The fact that the companies are placed in the same corner in case of financing and dealing indicates the problem that exists in the Finnish furniture retailing industry – the companies are operating in exactly the same way, even though the image is different. The implications for managers from this analysis should be to realize that there are lot of unutilized space in the matrix' and that the non-core-competence customer service channels are not in line with the price image/product portfolio-ratio. This means that the companies should differentiate their services and design them to be inline with the overall image.

Strategic competency advices by Kellogg & Nie					
	IKEA	Sotka	Asko	Jysk	Skanno
Persuasion	Encounter/ Demand mgmt. Econ. of scale	Encounter mgmt. Service pack design/Capacity mgmt.	Encounter mgmt. Service pack design/Capacity mgmt.	Encounter mgmt. Service pack design/Capacity mgmt.	Service pack design Encounter mgmt./Expertise & professional.
Financing	Demand mgmt. Econ. of scale	Standard procedures Cap. mgmt./ Econ. Of scale	Standard procedures Cap. mgmt./ Econ. Of scale	Standard procedures Cap. mgmt./ Econ. Of scale	Standard procedures Cap. mgmt./ Econ. Of scale
Dealing	Encounter mgmt. Econ. of scale	Demand mgmt. Econ. of scale	Demand mgmt. Econ. of scale	Demand mgmt. Econ. of scale	Demand mgmt. Econ. of scale
Production & delivery	Encounter mgmt. Capacity mgmt.	Encounter mgmt. Capacity mgmt./ Econ. of scale	Encounter mgmt. Capacity mgmt./ Econ. of scale	Demand mgmt. Econ. of scale	Encounter mgmt. /Demand mgmt. Capacity mgmt.
The service analyzed as a whole	Encounter mgmt./Expertise & professional. Econ. of scale	Encounter mgmt. /Demand mgmt. Capacity mgmt.	Encounter mgmt. /Demand mgmt. Capacity mgmt.	Encounter mgmt. /Demand mgmt. Capacity mgmt.	Encounter mgmt. Capacity mgmt.

Table 6: The strategic advices for the case companies by Kellogg & Nie (1995)

The comparison

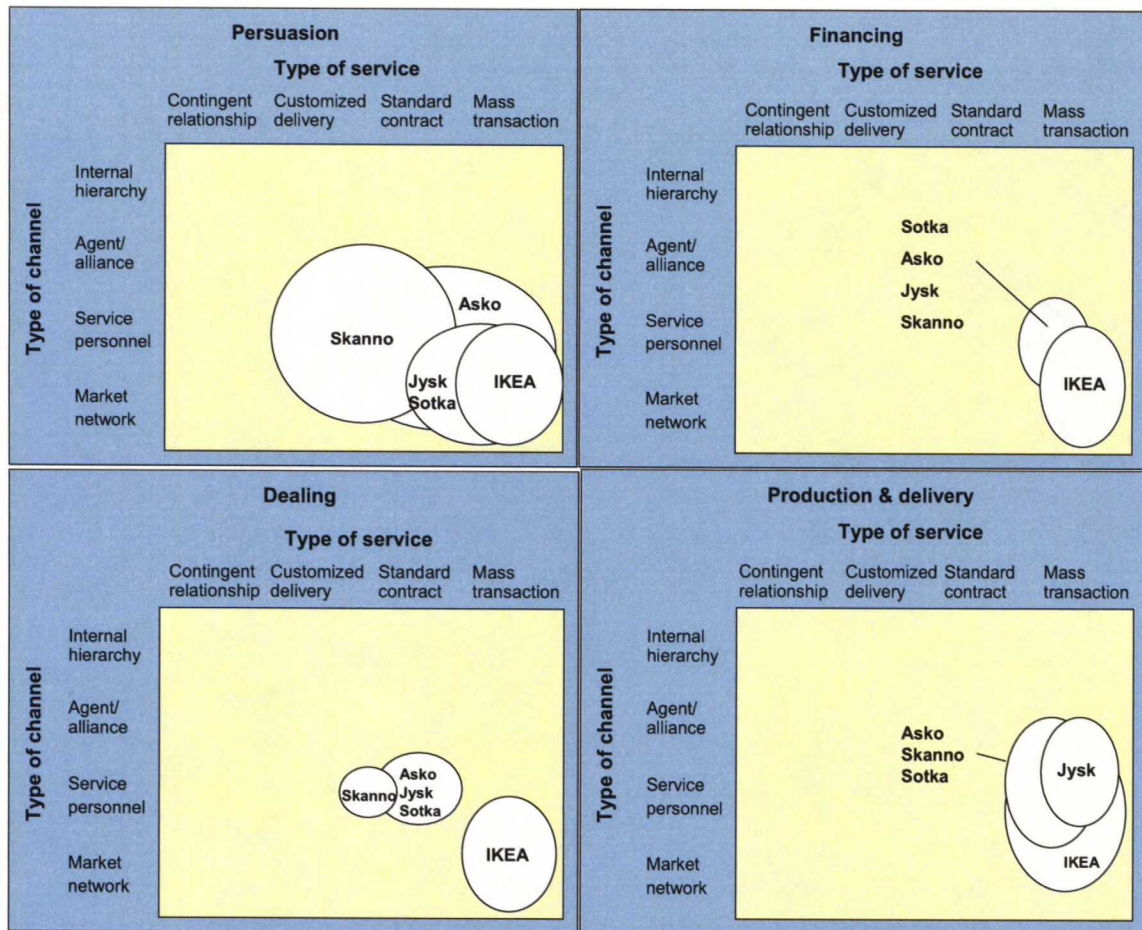
The customer service channel approach is more useful when utilizing service process / service package matrix by Kellogg & Nie (1995) in the Finnish furniture retailing industry. The advantage comes as the customer participation (vertical axis) differs in different processes and channels. Correspondingly the options given to the customer (horizontal axis) differ between the customer service channels. The customer service channel approach splits the service to relevant pieces from the customer point of view, which makes the continuums relevant and easy to understand. What is the customer participation in persuasion, financing, dealing and production & delivery? This is easier to determine in the channels that form a complete function, than for the whole company that includes different amount of customer participation in different functions. How many ways the customer can get information, finance the deal, close the deal and receive the products/have services? This is accordingly easier to determine when split to channels as different channels have different amount of options. Approach enables the service strategy planner to have accurate positions in the matrix and that way the classification results are more use-

ful. Also the approach enables the revision of the position more easily. If the company needs to change its position it can re-engineer its services to change the customer participation in the channels as well as options given to the customers. The relevance of these two parameters can be questioned, but at least in the case industry the results are relevant

5.3.3 Service process analysis framework by Tinnilä & Vepsäläinen

The service process analysis does spread the customer service channels reasonably to the matrix in case of dealing and somewhat reasonably in case of persuasion and financing (Picture 20). The problem in this framework is the generality that is a problem even though we analyze each customer service channel separately. This makes the persuasion channel difficult to analyze as it is done through different media. The rest of the customer service channels end up to the same area as the services are mainly produced through service personnel or market network, some utilizing agent/alliance. The service type excluding persuasion is mass transaction or standard contract as there is not much customization offered in any of these services by the service providers.

However, the point of the authors when creating the framework has been that the service companies should differentiate their services to stay alive in the markets. When analyzing the whole company the circles where all over the place. This does not really help in strategic planning if we want to think what to do with the service strategy. Even though the customer service channel approach has still problem of placing the companies in an exact spot it still is more useful for the strategic planning. In case Finnish furniture retailing the main conclusion from the analysis should be that the companies do not have clear strategies. The matrix suggests that IKEA is pretty much where it wants to be – offering high volumes of standardized services. Skanno is not totally where it should be as its services in financing, dealing and production & delivery does not really offer any more value than the companies with lower price image. The rest of the three companies are positioned similarly on the matrix', which means that even though their price image and product portfolio differs they are competing with each other in the exact same way. All of these arguments are intuitively reasonable.



Picture 20: The customer service channels analyzed using service process analysis framework by Tinnilä & Vepsäläinen (1995)

The comparison

When utilizing the service process analysis framework by Tinnilä & Vepsäläinen (1995) there are obvious advantages in using the customer service channel approach. The overall problem of the framework is its stiffness and that cannot be totally removed with the customer service channel approach, but it can be reduced.

The stiffness is related to the axis' definitions. The vertical axis describing the channel is defined as actual distribution channel type. This discards the fact that the same channel can be operated very differently in two companies, even though the position will be the same. Therefore the strategic issues and the customers' experience in the two services can differ heavily even though the position can be the same. For example in IKEA the channel type mainly is service personnel as well as in Skanno, but the standardization of the processes in the distribution channel is completely different between these two. Also the horizontal axis has some problems with the stiffness, but it creates hardly problems when using the customer service channel approach. When

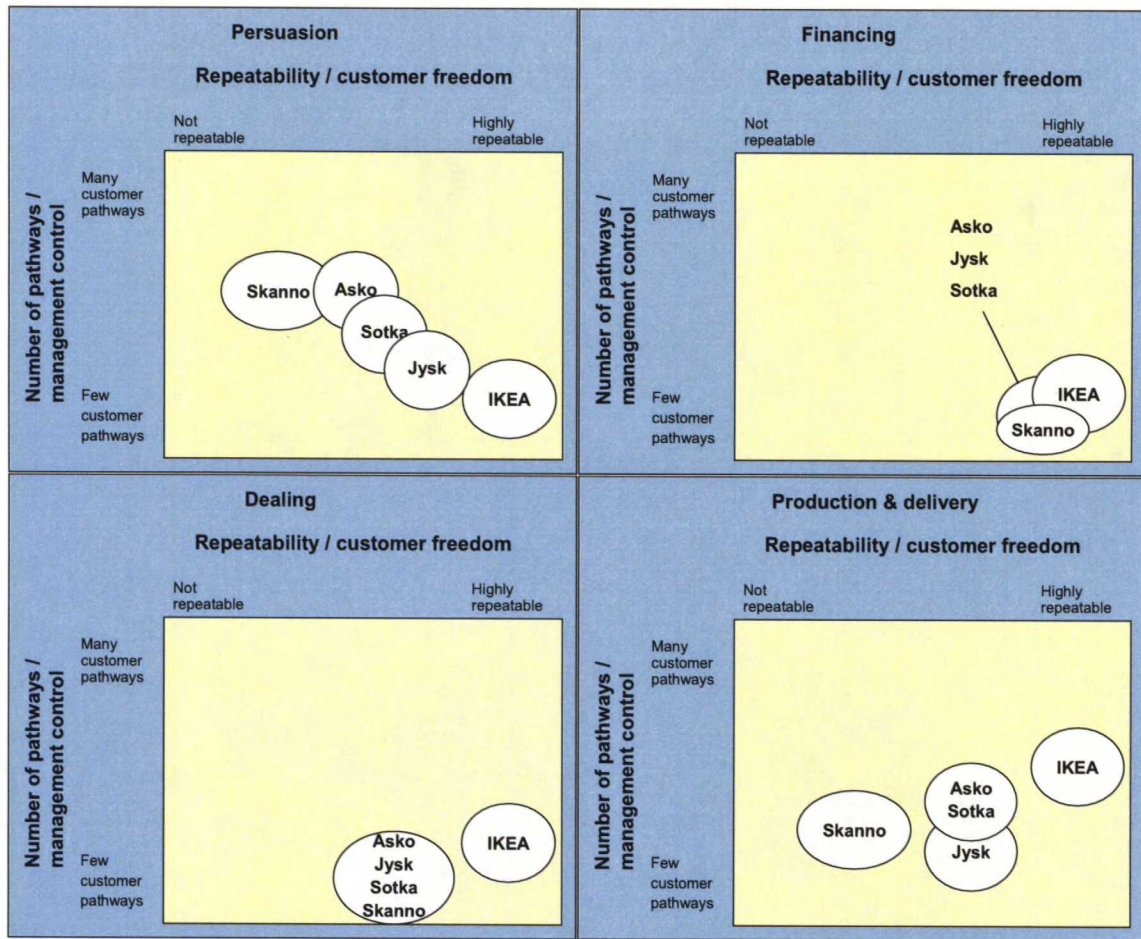
using the framework in the traditional way the circles are stretched horizontally as different parts of the service have very different amount of customer participation and influence. When split to customer service channels the customer participation and influence more accurately determined for each channel. In the case industry the problem aroused only in persuasion as there is multiple ways to do the persuasion in each company.

The service process analysis framework by Tinnilä & Vepsäläinen (1995) best fits to everyday use, instead of deeper analysis of a company. The framework is easy to utilize for the service strategy analysis and that way gives quick picture about the analyzed business and the company's situation. It demonstrates the areas where there is room for new services and where the competition is the heaviest. For throughout analysis the framework is lacking accuracy and does not go deep enough to the details.

5.3.4 Service positioning matrix by Collier & Meyer

The service positioning matrix' by Collier & Meyer (1998) resembles the other matrix'. The core competence, persuasion, is nicely on the diagonal according to the price image/product portfolio-ratio, but all the other channels are all around the matrix' (Picture 21). In financing there simply is no different options given to customers, which could differentiate the companies. Only differences are that in IKEA the process is more mechanical and in Skanno there is bit less ways to settle the payment.

All in all the approach gives lot more thorough view for the management about where it is now and what could be developed. The framework suggests that the companies should revise all other channels excluding persuasion. This seems intuitively reasonable advice for the companies excluding IKEA. The company does not fit the diagonal, but as mentioned several times already in the paper, the company is operating very effectively. Naturally this does not mean that the company could not be even better, but for sure the other companies that are closer to the diagonal and still have considerably worse financial performance should be the first ones to do changes in their service strategies.



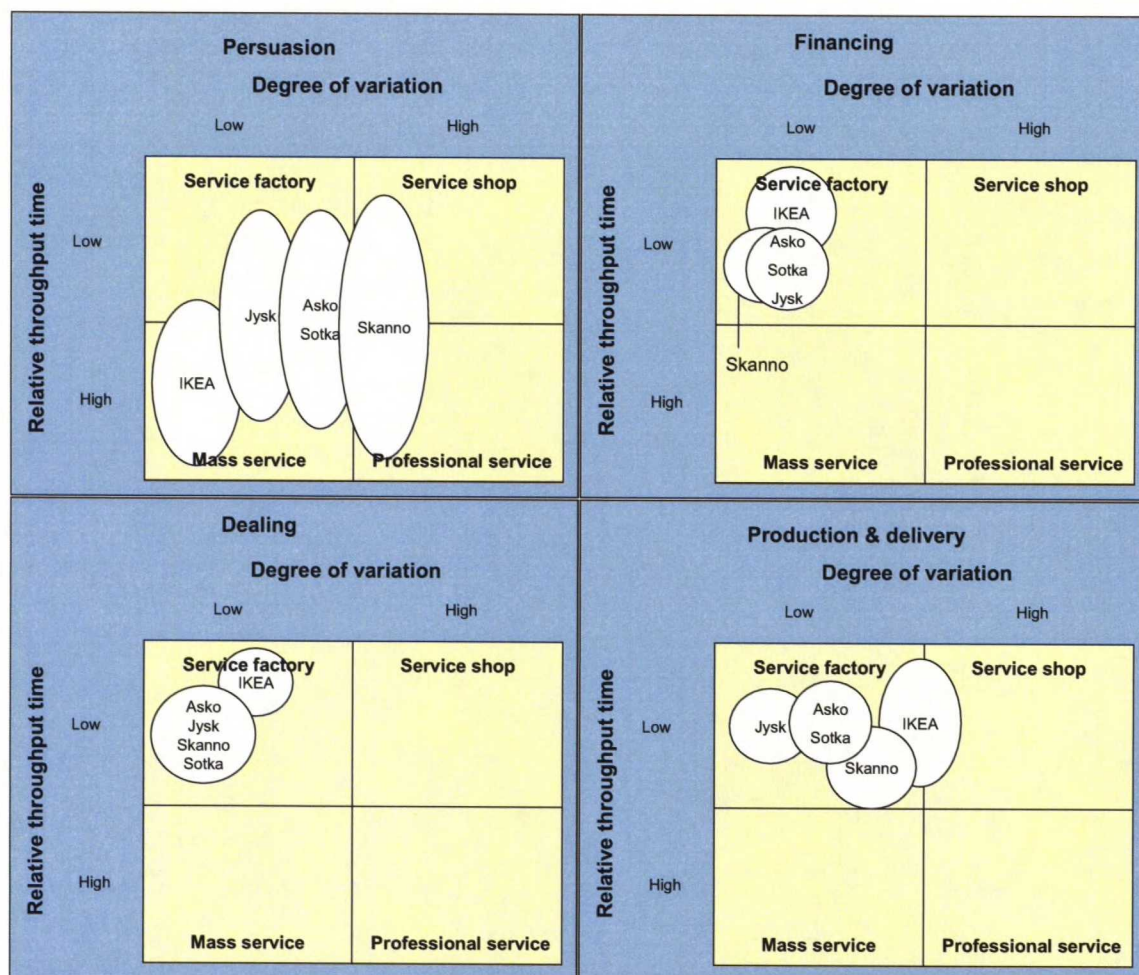
Picture 21: The customer service channels analyzed using service positioning matrix by Collier & Meyer (1998)

The comparison

The service positioning matrix by Collier & Meyer (1998) is better utilized when used with the customer service channel approach. The superiority is attributable to better measured parameters, as was the case also for the framework by Kellogg & Nie (1995). The horizontal axis defined as repeatability/customer freedom is easier to define in pieces as the channels have very different amount of it. For example Skanno has very different position in each of the four channels (Picture 21). This way is possible to avoid the stretched circles as can be seen in Picture 16. Correspondingly the number of pathways/management control is possible to define more accurately. The functions differ heavily and therefore placing each channel separately gives adequate picture of the service strategy.

5.3.5 The revised service classification model by Schmenner

Schmenner's revised service classification model does not give any more help to the strategic planning of a company when split it into customer service channels than when analyzed as a whole (Picture 22). This is as the vertical axis is difficult to assess and it does not really describe what it should. The relative throughput time does not describe the process or the service. For example there are no considerable differences in the relative throughput time between Asko, Jysk, Skanno and Sotka. All of them use the same methods of persuasion, but only in different ways. Also the throughput time for persuasion fluctuates for the each company which leads to vertically stretched circles. The customers can look for the product quickly from the Internet, skim the catalog, come to the store to see the product portfolio or use the interior designer services to plan the interior of a house completely. All of these have very different throughput time, which makes it impossible to place the companies' persuasion channel to the matrix. Also the other three channels of the companies' are all over the place. The price image/product portfolio-ratio does not give generally an indication of the positions of the companies' customer service channels. Only on the persuasion channel the companies are rationally positioned on the horizontal axis according to their price image/product portfolio-ratio.



Picture 22: The customer service channels analyzed using the revised service classification model by Schmenner (2004)

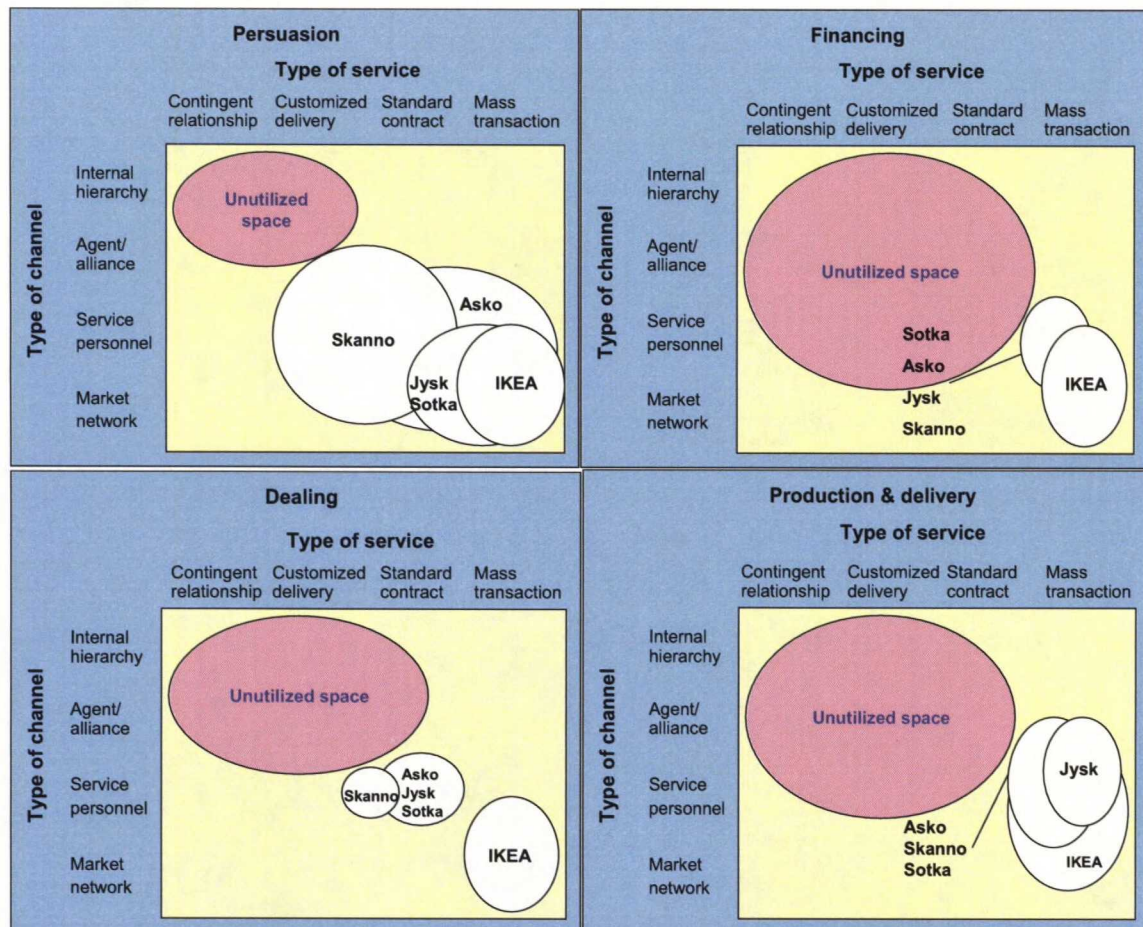
The comparison

Unfortunately the revised service classification model by Schmenner (2004) is not feasible in analyzing the Finnish furniture retailing industry with or without the customer service channel approach, even though it has the most promising normative approach. The model includes rational argumentation behind the axis' and therefore it would be very useful, if just the vertical axis (relative throughput time) would be somehow unambiguous. The already above described problem is the differing relative throughput time inside one company. This problem is emphasized in the furniture retailing, but exists also for example in banking where the differences in the throughput times are higher between the different services offered inside a bank than between the banks. When looking at the matrixes in Picture 22, we can see that only the persuasion circles are vertically stretched. The rest of the channels are easier to define as the processes in them are simple and especially in finance and dealing similar. However in these two channels the frame-

work does not give any reasonable advice as the problem is similarity of service strategies, not lack of productivity.

5.4 Strategic implications

When considering strategic implications we should focus on using three of the service classification frameworks tested in this research: Kellogg & Nie (1995), Tinnilä & Vepsäläinen (1995) and Collier & Meyer (1998). The framework by Silvestro et al. (1992) is not useful for strategic decision making as it places the companies and customer service channels nicely on the diagonal, but its normative approach is limited. It is obvious that a company should try to move their service closer to the diagonal, but how should it do that and what after that? In the case industry the framework by Silvestro et al. (1992) is unable to give any advices as it is unclear what should be done to move on the matrix. Horizontally the movement would happen by changing the number of customers per typical day. This means some kind of change in the service structure and service process. The vertical axis is even more unclear. There are multiple measures and no advice is given if we should change some of these, all of these or none. The framework by Schmenner (2004) has a problem in the vertical axis that does not measure anything relevant. The throughput time is very problematic especially in case of persuasion due to its high variability. The duration can be very short or very long in each of the companies in the sample group. This makes it impossible to place the companies on the framework and therefore makes the framework impossible to utilize.



Picture 23: Strategic implications by the combined customer service channel/service process analysis framework

The three relevant frameworks do give similar advices in the case industry. In case of persuasion there is not much instructions given by the frameworks as the companies have made differentiation according to their price image/product portfolio-ratio. However, all the three frameworks indicate that there is free space in the upper left hand corner by creating more customized and more value adding services.

For the rest of the three customer service channels the frameworks suggest differentiation like shown in Picture 23. Especially the upper left hand corner is totally unused as there are no innovative services offered. This is intuitively reasonable instruction. All the companies offer exactly the same service – only the image and prices differ.

In financing the innovation is most likely the most difficult for the furniture retailers themselves, but they could create these services with financials. Currently there are no companies offering any other payment methods than cash payment or hire purchase. For example there could be of-

ferred leasing of furniture, which would also create a market for used furniture, which hardly exists currently in large scale.

In dealing the differentiation, for example to Skanno as a more expensive brand, could be implemented in form of offering different kind of ways to the customer for making the deal. One way could be offering a service where the service provider furnishes the room of the customer's. The customer has the furniture for a few days and then decides if she wants some of it or not. This way the customer would be offered easiness, comfort and higher service level. An other innovative way to offer the dealing service could be, that a service provider and a customer makes a deal that the service provider changes the agreed parts of the interior every 3 months or so. This could include the whole interior, parts of it or only the cheaper textiles. For example the service provider could offer the change of decoration for Christmas, Easter and other festivals, which could increase the customer base, if the cost level could be kept down with tight enough concepts.

In production and delivery the companies could correspondingly add more value by innovation of services. One simple service for the companies to climb towards upper left hand corner could be for example instant delivery and recycling of old furniture. Drivers would pack the goods after dealing to a truck, delivery the good and pick up the old furniture to recycling straightaway. This could be branded as a "white-glove-delivery" like in case of Williams Sonoma Inc. (chapter 4.9.3) to bring a hint of glamour that for example Skanno and maybe also Asko would really need to differentiate their service from the lower price image companies.

6 Conclusions

The main conclusions from the research should be that the service classification frameworks do give a better ground to the service classification process when they are split into the four customer service channels. For the analysis of the core competence of the industry – persuasion – the customer service channel approach is a useful tool. The rest of the customer service channels are mainly packed on the same area indicating either the homogeneity of the service repertoire of the companies or that the frameworks do not work as they should. In case of the Finnish furniture retailing the reason can be claimed to be the first one as the supporting services are operated very much the same way discarding the price image/product portfolio-ratio used as an indication of the service strategy in the research. IKEA is an exception in many of the matrix' as the frameworks are not able to cope with its mass customization. Also the authors mention that using technology can enable companies operating efficiently off diagonal. On the other hand this means that the frameworks are practically useless for a company like IKEA.

Model	Feasibility
Silvestro et al. (1992)	Not useful due to limited normative approach.
Kellogg & Nie (1995)	Better utilized with the customer service channel approach, due to more accurate measurement of the parameters.
Tinnilä & Vepsäläinen (1995)	Better utilized with the customer service channel approach due to the more accurate positioning of separate customer service channels.
Collier & Meyer (1998)	Better utilized with the customer service channel approach, due to more accurate measurement of the parameters.
Schmenner (2004)	Not useful in the furniture retailing due to poor measurability of the vertical axis.

Table 7: The results

In case of Silvestro et al. (1992) already the analysis of the services as a whole places the companies on the diagonal according to the price image/product portfolio-ratio. However the framework has hardly any normative features. Kellogg & Nie (1995), Tinnilä & Vepsäläinen (1995)

and Collier & Meyer (1998) all place the persuasion channel according to the price image/product portfolio-ratio and the rest of the three channels mainly to the same area. This indicates the fact that the service strategies are homogeneous and the companies do not differentiate their supporting services. Schmenner (2004) in his revised service classification model has the problem of throughput time not indicating anything about the process. Especially in case of persuasion the framework is impossible to utilize and therefore it does not help even though the services are split in the customer service channels. (Table 7)

6.1 Theoretical discussion

It is relevant to claim that the service classification frameworks are better fit for a managerial use than for an academic research. The argument to support this claim is the difficulty of measurement of the parameters. The most of the parameters used by the authors in the studied frameworks are difficult to measure, as they are very implicit. Customer freedom by Collier & Meyer (1998) or degree of variation by Schmenner (2004) both are so difficult to measure that it can be only done comparing them to other companies inside the same industry. Placing a company to the frameworks without comparing them to other companies is virtually impossible as well as by comparing the companies between industries. Implicit parameters are used, as more explicit parameters are very difficult to determine. If for example an amount of capital invested is used, it will in some businesses indicate adequately the customization level and therefore be a good parameter. On the other businesses the capital invested may not give an indication about the customization at all. Also setting the scale would be a problem. In some industries capital invested, as a percentage of sales revenue could be a good measure, but between industries this would not work.

Some of the parameters used in the service classification frameworks are more explicit, like the axis by Tinnilä & Vepsäläinen (1995) and relative throughput time by Schmenner (2004). The axis by the first face the problem of being too general and that way they do not make much difference between the companies. The axis by the latter is very difficult to measure, as it is not clear when the service starts or ends and to what the throughput time of a company should be compared to. Hence measuring is a problem in forming a universal service classification framework. For managers this is not that big issue as insiders of an industry they have a sense on the positioning of the companies. However an academic researcher does not necessarily have this sense on the field of business under discussion and therefore will face the problem of measurement more likely. For this problem the tested framework does not give an answer, but it could be

found by looking for each channel instead of the whole company. The approach splitting the service to smaller pieces could help to find more easily measurable parameters for each customer service channel.

As discussed already in several occasions the normative approach of the service classification frameworks is mainly limited. The problem seems to be either discussing only about processes (Silvestro et al. (1992) and Tinnilä & Vepsäläinen (1995)) or not helping in the repositioning (Collier & Meyer (1998)). Kellogg & Nie (1995) does give strategic competences needed for a specific position in the matrix and helps in repositioning as it describes the company types in the different matrix positions. With the customer service channel approach this is the most useful framework for service classification of the existing models in the case industry. Schmenner (2004) has also a good rationale behind his framework from the normative point of view. However, the relative throughput time parameter that he is using is not a good measure in many service industries and that way the utilization possibilities of the results are very limited.

The problem of similarity is also one of the issues faced in this research. There is a need to look for differences between the companies instead of trying to find similarities. This causes the need of zooming into the differences, which indeed makes it impossible to make comparison between industries. The similarity is not a problem only in the case industry, but also in other retailing industries, banking and hairdressers just to name a few. One reason for the similarity could be the customer having an important role in the service production in industries where the margins are relatively low. If a service is very different between various service providers it would mean that the customer would need to learn the new service provider's processes every time he changes the service provider. This on the other hand causes that for example a new service provider has to teach the customers to its processes if it wishes to have different service processes than exists already in the business. This, however, is not profitable if the margins are low, as the increased transaction costs of the service provider would eat out the profits and the transaction costs of the customer would make it to choose another service provider that offers a service processes that she is familiar with.

6.2 Managerial discussion

For the management the best way to utilize the tested model is to use it for analyzing the peers' positions in the matrix, to see where there is space for new services and for looking if the company's functions fit the company's image. An analysis can be done on the markets to see how the company is positioned compared to its competitors. Another way for management to utilize the

framework is to seek for new markets; by looking if an analysis of a business points out unfilled market segments (like this research did). A third way for a management utilization of the framework would be to analyze if the different customer service channels are inline with the corporate image and service strategy.

The management would need the most help in the strategic decision making. However the frameworks do lack this feature pretty much even though the goal has been to create normative frameworks. Some of the frameworks are too complex like the one by Silvestro et al. (1992). The complex vertical axis makes it impossible for the matrix to have any clear direction. It can only advice the aggregate service production type instead of telling which direction the service strategy should be taken to. Correspondingly Collier & Meyer (1998) lack the direction of repositioning in their framework and it only gives the strategic advices to stay in the current position. Schmenner (2004) has on the other hand clear direction, but as the measuring like discussed above (Chapter 6.1) is a problem the framework is not useful at least in the furniture retailing. The normative approach is also limited as the service industry can be very varying and the services produced in varying ways. For example technology makes the companies to position irrationally on the matrix, which makes also the advices for the management irrational. Nowadays technologies tend to be present in the most of the service industries in some degree meaning that the service classification frameworks are less useful. The tested framework is not the key to solve the problem, but if the management is able to split the service in more relevant pieces, it may be able to find the relevant strategic advices more easily.

6.3 Future research

Splitting the service to customer service channels does not solve the problem of the continuums not describing the service and the service process properly. This fact should be given more attention on the service strategy research. However the approach by Haapanen & Vepsäläinen (2005) gives a possibility to solve the problem. The matrixes should be designed separately for all the four channels.

However when trying to create a comprehensive classification framework for services it should be accepted that production of products and production of services are totally different things. We cannot say that only difference between services and products are tangibility – intangibility, homogeneity – heterogeneity and so on. Manufactured products are a result of a manufacturing process. The customers have no need to know anything about the production process as it hardly affects their benefit. It can be fully designed for efficiency. In case of services the production

process design as such can have a huge effect on the benefit customer receives from the service. Also product is usually a part of some service eventually. The products are only parts of a service production and should be considered as such. Not as something that is corresponding to service production with only some minor differences. Therefore when considering the results from this research, it seems very unlikely that creating service classification framework corresponding to the product-process matrix by Hayes & Wheelwright (1979) would be possible. The product-process matrix in some industries fits as such as a classification for the production & delivery channel. Any of the authors discussed here have been able to create one as the dimensions lack always some features of the service or service process. The framework by Haapanen & Vepsäläinen (2005) and the approach tested on this paper are innovative ways trying to cope with the fact that service production includes huge amount of different kind of processes that cannot be classified with one matrix.

Future research is needed to test the framework in different kind of services. However, it is very important to find improved ways to classify each of the customer service channels. The customer service channel approach combined with the existing service classification frameworks tested here is superior to the traditional approach, but does not give strong suggestions how to cope with the different varying customer service channels. It does help in strategic planning, but for designing a specific customer service channel it would require a more accurate approach. Therefore the main focus on future research should be, not on general research on generic service strategies as a whole, but to find a features defining generic service strategy classification for each of the individual customer service channels separately.

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